

# **TAYLOR COUNTY, TEXAS**

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

together with

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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TAYLOR COUNTY, TEXAS  
Annual Financial Report  
Year Ended September 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and  
Members of the Commissioners Court  
Taylor County, Texas

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information together with the schedule of funding progress for the pension plan on pages 3-10 and 39-42 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 Taylor County, Texas's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 nonmajor fund financial statements 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 March 11, 2014, on our consideration of Taylor County, Texas'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 Taylor County, Texas's internal control over financial reporting and compliance.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
March 11, 2014

# TAYLOR COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taylor County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the County's financial statements.

### FINANCIAL HIGHLIGHTS

- Taylor County's total combined net position were \$75.5 million at September 30, 2013. This represents a decrease of \$5.8 million from September 30, 2012. Of this amount, \$30.9 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$5.8 million more than the \$44.5 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$21.9 million, all but \$7,600 is available for spending at the government's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Taylor County, Texas basic financial statements. The County's basic financial statements consist 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 Statements

The government-wide statements are designed to provide readers with a broad overview of Taylor County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 11) presents information on all of Taylor 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 Taylor County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 12) presents information showing how the government's net position changed during the fiscal 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.

Net position- the difference between the County's assets and liabilities- is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Taylor 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 through user fees and charges (business-type activities). Governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

## Fund Financial Statements

The Fund Financial Statements provide more detailed information about Taylor County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Taylor County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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. These reconciliations can be found on Pages 14 and 16 of the basic financial statements section.

The County maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, and the road and bridge fund, all of which are considered to be major funds. Individual fund data for each of the twenty-one non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 17-19. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.
- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Page 20. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

Taylor County’s combined net position were approximately \$75.5 million at September 30, 2013. The largest portion of the County’s net position (56%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County’s net position (3%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County’s ongoing obligations to citizens and creditors.

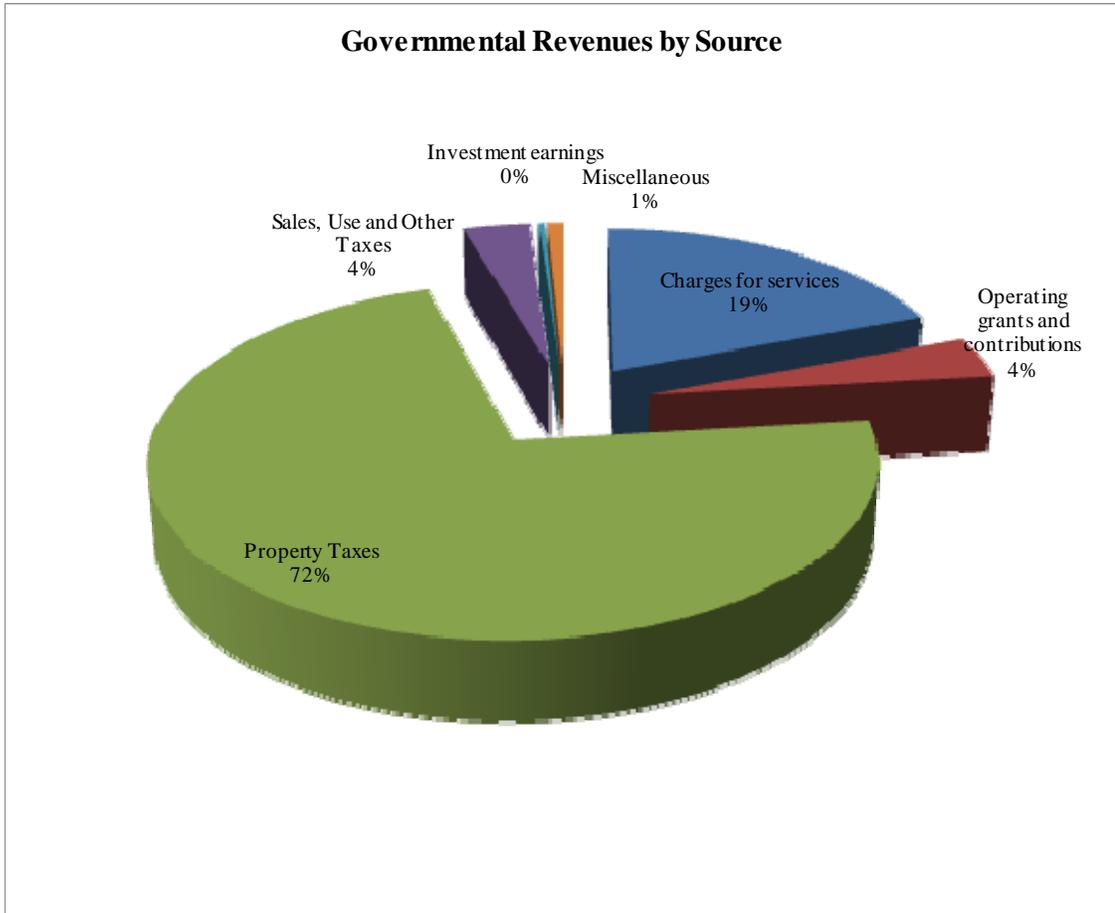
	Governmental Activities	
	September 30, 2013	September 30, 2012 (restated)
Current and Other Assets	\$ 40,649,798	\$ 41,119,162
Capital Assets	44,334,377	48,993,674
<b>Total Assets</b>	<b>84,984,175</b>	<b>90,112,836</b>
Current Liabilities	3,844,894	3,479,717
Long Term Liabilities	5,602,419	5,296,453
<b>Total Liabilities</b>	<b>9,447,313</b>	<b>8,776,170</b>
<b>Net Position</b>		
Net Investment in Capital Assets	42,539,377	46,653,674
Restricted	2,137,736	2,508,513
Unrestricted	30,859,749	32,174,479
<b>Total Net Position</b>	<b>\$ 75,536,862</b>	<b>\$ 81,336,666</b>

**Changes in Net Position**—Taylor County’s net position decreased by approximately \$5.8 million during the current fiscal year.

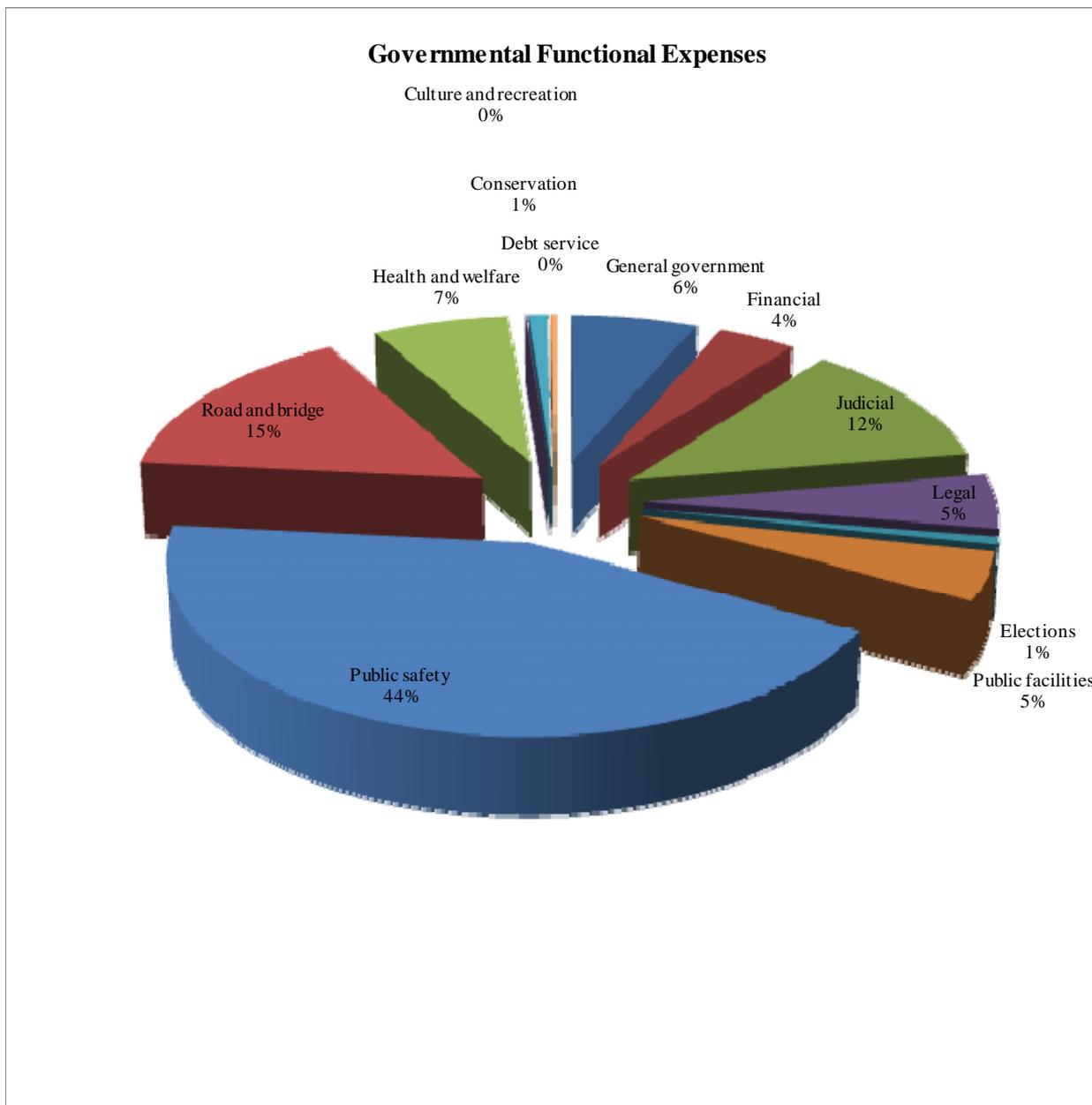
	Governmental	
	Activities	
	Fiscal Year 2013	Fiscal Year 2012
Revenues:		
Program Revenues:		
Charges for Services	\$ 8,566,405	\$ 8,613,919
Operating Grants and Contributions	1,736,844	2,253,351
General Revenues:		
Property Taxes	32,170,974	30,562,791
Sales and Use and Other Taxes	1,534,476	1,326,081
Investment Earnings	127,603	161,871
Miscellaneous Revenue	295,297	375,647
Gain/(Loss) on Sale of Assets	45,704	255,088
Total Revenues	<u>44,477,303</u>	<u>43,548,748</u>
Expenses:		
General Government	3,236,216	2,635,128
Financial Administration	1,985,888	1,910,006
Judicial	6,038,582	5,689,834
Legal	2,585,343	2,440,106
Elections	377,597	404,321
Public Facilities	2,282,213	2,537,833
Public Safety	22,011,328	21,183,375
Road and Bridge	7,663,926	7,487,071
Health and Welfare	3,479,318	3,721,968
Conservation	497,951	477,370
Culture and Recreation	29,432	26,469
Interest on Long-Term Debt	89,313	104,690
Total Expenses	<u>50,277,107</u>	<u>48,618,171</u>
Change in Net Position	(5,799,804)	(5,069,423)
Beginning Net Position, as restated	81,336,666	86,406,089
Ending Net Position	<u>\$ 75,536,862</u>	<u>\$ 81,336,666</u>

**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2013 were \$44.5 million. Approximately 76% of the County’s revenue comes from taxes, with over 72% from property taxes alone. Property tax revenue increased 2% due to an increase in the tax base.

Expenditures increased by \$1,658,936 from the prior year, mostly in General government due to increased personnel costs and the increased cost of records keeping.



The total cost for all programs and services totaled \$50.3 million for the year ended September 30, 2013. Of this amount, the largest operating services areas were public safety which totaled \$22.0 million or 44% of total expenses for the year, and road and bridge services which totaled \$7.7 million, or 15% of total expenses for the year. In the prior year, these two operating areas comprised 59% of total expenses. Costs related to general government (6%) continued to absorb a significant percentage of the County's total expenses for the current year.



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Taylor County's governmental funds reported a combined fund balance of \$32.7 million, a decrease of \$344,515 or 1% in comparison with the prior year. Approximately 67% of this total amount (\$21.9 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned, to indicate that it is not available for new spending because it has already been restricted or assigned to: 1) special purposes by virtue of special revenue funds (\$10.2 million), 2) retirement of bonded indebtedness (\$532 thousand), and 3) authorized construction (\$22 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$21.9 million. Approximately \$21.9 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 60% of total General Fund expenditures.

Taylor County's General Fund balance decreased by \$49,090 during the current fiscal year.

**General Fund Budgetary Highlights** - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$2.7 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$558 thousand less than the final budgeted amount. The revenue decreases were primarily from increased transfers from the general fund to other county funds.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of September 30, 2013, the County had invested \$44.3 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$4.7 million, or 9.5% over last year.

Major events affecting capital assets during the year were:

- Various equipment and building improvement acquisitions.

More detailed information about the County's capital assets can be found in Note 5 on Page 30 of this report.

	Governmental		Percent Change
	Activities		
	2013	2012	
Land	\$ 1,975,105	\$ 1,975,105	0.00%
Buildings and Improvements	69,744,518	69,228,249	0.75%
Furniture and Equipment	3,480,419	2,932,823	18.67%
Vehicles and Heavy Equipment	9,573,276	8,987,625	6.52%
Infrastructure	70,512,665	70,512,665	0.00%
Total	155,285,983	153,636,467	1.07%
Total Accumulated Depreciation	(110,951,606)	(104,642,793)	6.03%
Net Capital Assets	\$ 44,334,377	\$ 48,993,674	-9.51%

**Long Term Debt** — At the end of the year, the County had \$6.2 million of long-term obligations. \$1.8 million represents bonds secured solely by specified revenue sources.

	Governmental Activities		Percent Change
	2013	2012	
Bonds Payable	\$ 1,795,000	\$ 2,340,000	-23%
Compensated Absences	1,068,178	1,158,170	-8%
Net OPEB Obligation	3,309,241	2,343,283	41%
Total	\$ 6,172,419	\$ 5,841,453	6%

During the year, Taylor County’s long-term obligations increased by \$331 thousand. The County’s Series 2005 Advanced General Obligation Refunding Bonds presently carry “Aa2” ratings from Moody’s and “AA+” ratings by Standard & Poors.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is \$1.6 billion, which is significantly higher than the County’s outstanding general obligation debt.

More detailed information about the County’s long-term liabilities can be found in Note 7 on Pages 31-32 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The net taxable appraised value used for the 2014 budget preparation is estimated to be up \$87 million, or 1.4% from 2013. Total values for Taylor County, without adjustments, were up 1.4%.
- The combined tax rate established for 2014 is \$.5047, an increase of \$.02 from 2013.
- Taylor County’s unemployment rate is currently 4.3%, compared to 4.6% in 2012. The State unemployment rate in December 2013 was 6.0%.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2014 fiscal year.

Amounts available for appropriation in the General Fund budget are \$40,356,841, an increase of 5.1% over the 2013 budget of \$38,400,328. Property taxes and fees for services (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 5.1% to \$40,356,841. The largest increments are increases in salaries of 3%. The County has added no major new programs or initiatives to the 2014 budget.

**CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Taylor County’s finances and to demonstrate the County’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79602.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Net Position  
September 30, 2013

Exhibit A-1

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 26,540,647
Investments	9,338,779
Receivables (net of allowance for uncollectibles)	
Taxes	342,937
Other	4,402,685
Due from agency funds	17,150
Prepaid expenses	3,680
Inventory	3,920
Capital Assets	
Land	1,975,105
Infrastructure, net	13,076,413
Buildings and improvements, net	25,700,634
Vehicles and heavy equipment, net	2,505,285
Furniture and equipment, net	1,076,940
Total assets	84,984,175
<b>LIABILITIES:</b>	
Accounts payable and other current liabilities	1,027,255
Payroll liabilities	1,438,393
Accrued interest payable	9,174
Due to other governments	800,072
Noncurrent liabilities	
Due within one year	570,000
Due in more than one year	5,602,419
Total liabilities	9,447,313
<b>NET POSITION:</b>	
Net investment in capital assets	42,539,377
Restricted for	
Debt service	532,490
Capital projects	21,708
JP technology	191,950
JP security	213,527
Enabling legislation	1,178,061
Unrestricted	30,859,749
Total net position	\$ 75,536,862

The accompanying notes are an integral part of the financial statements.

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT</b>			
Governmental activities			
General government	\$ 3,236,216	\$ 2,153,743	\$ 471,734
Financial	1,985,888	578,134	
Judicial	6,038,582	1,601,254	
Legal	2,585,343	192,097	113,071
Elections	377,597	59,704	23,556
Public facilities	2,282,213	313,224	
Public safety	22,011,328	1,832,652	1,001,339
Road and bridge	7,663,926	1,728,699	89,457
Health and welfare	3,479,318	67,678	37,687
Conservation	497,951	39,220	
Culture and recreation	29,432		
Interest and fees on long term debt	89,313		
	<u>50,277,107</u>	<u>8,566,405</u>	<u>1,736,844</u>
Total governmental activities			
	<u>50,277,107</u>	<u>8,566,405</u>	<u>1,736,844</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ <u>50,277,107</u></b>	<b>\$ <u>8,566,405</u></b>	<b>\$ <u>1,736,844</u></b>

General Revenues:

Property taxes, levied for general purposes  
Property taxes, levied for debt purposes  
Other taxes  
Penalties and interest  
Miscellaneous revenues  
Investment earnings  
Gain on sale of assets  
Total general revenues

Change in net position

Net position at beginning of year  
Prior period adjustment - debt issuance cost

Net position at end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
Governmental Activities	Total
\$ (610,739)	\$ (610,739)
(1,407,754)	(1,407,754)
(4,437,328)	(4,437,328)
(2,280,175)	(2,280,175)
(294,337)	(294,337)
(1,968,989)	(1,968,989)
(19,177,337)	(19,177,337)
(5,845,770)	(5,845,770)
(3,373,953)	(3,373,953)
(458,731)	(458,731)
(29,432)	(29,432)
(89,313)	(89,313)
<u>(39,973,858)</u>	<u>(39,973,858)</u>
<u>(39,973,858)</u>	<u>(39,973,858)</u>
31,610,616	31,610,616
560,358	560,358
1,534,476	1,534,476
239,437	239,437
55,860	55,860
127,603	127,603
45,704	45,704
<u>34,174,054</u>	<u>34,174,054</u>
(5,799,804)	(5,799,804)
81,366,829	81,366,829
<u>(30,163)</u>	<u>(30,163)</u>
<u>\$ 75,536,862</u>	<u>\$ 75,536,862</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

## TAYLOR COUNTY, TEXAS

## Balance Sheet

## Governmental Funds

September 30, 2013

	General Fund	Contingency Fund	Road and Bridge Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,284,335	\$ 2,672,668	\$ 722,376
Investments	9,338,779		
Receivables (net of allowances for uncollectibles)			
Property taxes	317,498		12,753
Other	325,409		56,073
Fines and fees	3,980,620		
Interest			
Due from other funds	631,979		31,348
Due from internal service funds	1,100,419		
Due from agency funds	17,150		
Inventories	3,920		
Prepaid items	3,680		
Total assets	<u>\$ 29,003,789</u>	<u>\$ 2,672,668</u>	<u>\$ 822,550</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 543,861	\$ 40,763	\$ 221,850
Payroll liabilities	1,438,393		
Due to other funds			613,587
Due to other governments	800,072		
Total liabilities	<u>2,782,326</u>	<u>40,763</u>	<u>835,437</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	317,498		12,753
Unavailable revenue - fines and fees	3,980,620		
Total deferred inflows of resources	<u>4,298,118</u>		<u>12,753</u>
Fund balances:			
Nonspendable			
Prepaid items	3,680		
Inventory	3,920		
Restricted for			
Debt service			
Capital projects			
JP Technology			
JP Security			
Enabling legislation			
Assigned for			
Road and bridge			
Contingencies		2,631,905	
Other purposes			
Unassigned	21,915,745		(25,640)
Total fund balances	<u>21,923,345</u>	<u>2,631,905</u>	<u>(25,640)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,003,789</u>	<u>\$ 2,672,668</u>	<u>\$ 822,550</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 8,199,006	\$ 24,878,385
	9,338,779
12,686	342,937
26,841	408,323
	3,980,620
951	951
145,000	808,327
	1,100,419
	17,150
	3,920
	3,680
<u>\$ 8,384,484</u>	<u>\$ 40,883,491</u>
\$ 39,638	\$ 846,112
	1,438,393
194,740	808,327
	800,072
<u>234,378</u>	<u>3,892,904</u>
12,686	342,937
	3,980,620
<u>12,686</u>	<u>4,323,557</u>
	3,680
	3,920
532,490	532,490
21,708	21,708
191,950	191,950
213,527	213,527
1,178,061	1,178,061
23,380	23,380
	2,631,905
5,976,304	5,976,304
	21,890,105
<u>8,137,420</u>	<u>32,667,030</u>
<u>\$ 8,384,484</u>	<u>\$ 40,883,491</u>

TAYLOR COUNTY, TEXAS  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 September 30, 2013

Exhibit A-4

<b>Total Fund Balance-Governmental Funds</b>	<b>\$</b>	<b>32,667,030</b>
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.</p>		
		393,491
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 155,285,983	
Accumulated depreciation	<u>(110,951,606)</u>	44,334,377
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(1,795,000)	
Other Postemployment Benefit Obligation	(3,309,241)	
Compensated absences	(1,068,178)	
Accrued interest payable	<u>(9,174)</u>	(6,181,593)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Unavailable revenue - office fees receivable	3,980,620	
Unavailable revenue - property taxes	<u>342,937</u>	<u>4,323,557</u>
<b>Net Position of Governmental Activities-Statement of Net Position</b>	<b>\$</b>	<b><u>75,536,862</u></b>

The accompanying notes are an integral part of the financial statements.

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

	General Fund	Contingency Fund	Road and Bridge Fund
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 30,578,940	\$	\$ 1,240,977
Other taxes	420,196		1,114,280
License and permits	595,260		1,595,969
Intergovernmental and grants	1,790,913		14,207
Fines and fees	3,762,755		48,476
Rents and recoveries	276,107		
Investment earnings	102,171	6,212	261
Miscellaneous	41,068		1,795
	<u>37,567,410</u>	<u>6,212</u>	<u>4,015,965</u>
Total revenues			
<b>EXPENDITURES</b>			
Current			
General government	2,526,802		
Financial	1,888,827		
Judicial	5,805,578		
Legal	2,166,367		
Elections	315,287		
Public facilities	1,040,603	6,388	
Public safety	18,248,025		
Road and bridge	262		3,392,448
Health and welfare	3,351,628		
Conservation	470,929		
Culture and Recreation	29,432		
Debt Service			
Debt principal			
Debt interest and agent fees			
Capital Outlay			
Capital outlay	917,005	581,529	680,850
	<u>36,760,745</u>	<u>587,917</u>	<u>4,073,298</u>
Total expenditures			
Excess revenues over expenditures	806,665	(581,705)	(57,333)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,451	813,216	
Transfers out	(863,216)		
Sale of property	10	7,778	9,565
	<u>(855,755)</u>	<u>820,994</u>	<u>9,565</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	(49,090)	239,289	(47,768)
FUND BALANCE AT BEGINNING OF YEAR	<u>21,972,435</u>	<u>2,392,616</u>	<u>22,128</u>
FUND BALANCE AT END OF YEAR	<u>\$ 21,923,345</u>	<u>\$ 2,631,905</u>	<u>\$ (25,640)</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 561,178	\$ 32,381,095
	1,534,476
	2,191,229
1,081,750	2,886,870
491,808	4,303,039
	276,107
16,650	125,294
440,155	483,018
<u>2,591,541</u>	<u>44,181,128</u>
693,058	3,219,860
11,577	1,900,404
	5,805,578
305,613	2,471,980
31,748	347,035
	1,046,991
1,281,209	19,529,234
37,803	3,430,513
65,751	3,417,379
	470,929
	29,432
545,000	545,000
85,951	85,951
13,326	2,192,710
<u>3,071,036</u>	<u>44,492,996</u>
(479,495)	(311,868)
19,912	840,579
(27,363)	(890,579)
	17,353
<u>(7,451)</u>	<u>(32,647)</u>
(486,946)	(344,515)
<u>8,624,366</u>	<u>33,011,545</u>
<u>\$ 8,137,420</u>	<u>\$ 32,667,030</u>

TAYLOR COUNTY, TEXAS

Exhibit A-6

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		\$ (344,515)
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net position of these internal service funds are reported with governmental funds. The net effect of this consolidation is to decrease net position.</p>		
		(704,306)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.</p>		
Capital outlay	\$ 2,040,731	
Debt principal payments	<u>545,000</u>	2,585,731
<p>Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(6,621,746)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Increase in office fines and fees receivable	213,326	
Increase in unavailable tax revenues	29,316	
Increase in bond interest payable	(3,362)	
Increase in Other Postemployment Benefit Obligation	(965,958)	
Net book value of assets retired	(78,282)	
Decrease in compensated absences	<u>89,992</u>	<u>(714,968)</u>
Change in Net Position of Governmental Activities-Statement of Activities		<u>\$ (5,799,804)</u>

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Net Position  
Proprietary Funds  
September 30, 2013

Exhibit A-7

	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,662,262
Accounts receivable	<u>12,791</u>
Total current assets	<u>\$ 1,675,053</u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities	
Accounts payable	\$ 181,143
Due to other funds	<u>1,100,419</u>
Total current liabilities	<u>1,281,562</u>
Net position	
Unrestricted	<u>393,491</u>
Total net position	<u>393,491</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,675,053</u>

The accompanying notes are an integral part of the financial statements.

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

Exhibit A-8

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 4,456,360
Other revenue	5,518
Total operating revenues	4,461,878
OPERATING EXPENSES	
Contract services	1,040,974
Claims	4,177,519
Total operating expenses	5,218,493
OPERATING LOSS	(756,615)
NONOPERATING REVENUES	
Investment earnings	2,309
Loss before transfers	(754,306)
TRANSFERS	
Transfers in	50,000
CHANGE IN NET POSITION	(704,306)
NET POSITION AT BEGINNING OF YEAR	1,097,797
NET POSITION AT END OF YEAR	\$ 393,491

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2013

Exhibit A-9

	Governmental Activities
	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from interfund services provided	4,449,087
Cash payments for claims	(3,105,517)
Cash payments for insurance premiums	(1,040,974)
Net cash provided by operating activities	302,596
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	50,000
Net cash provided by non-capital financing activities	50,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	2,309
Net cash provided by investing activities	2,309
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	354,905
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,307,357
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,662,262
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (756,615)
Net change in:	
Accounts receivable	(12,791)
Due to other funds	1,100,419
Claims payable	(28,417)
Total adjustments	1,059,211
Net cash provided by operating activities	\$ 302,596

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Fiduciary Net Position - Fiduciary Funds  
September 30, 2013

Exhibit A-10

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	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 5,074,651
Due from other funds	16,005
Accounts receivable	<u>16,962</u>
 TOTAL ASSETS	 \$ <u><u>5,107,618</u></u>
 LIABILITIES:	
Accounts payable	\$ 235,713
Due to other funds	33,155
Due to others	<u>4,838,750</u>
 TOTAL LIABILITIES	 \$ <u><u>5,107,618</u></u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2013

**NOTE 1: Summary of Significant Accounting Policies**

*A. Reporting Entity*

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Taylor County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners' Court has governance responsibilities over all activities related to Taylor County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

*B. Government-wide and Fund Financial Statements*

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Taylor County nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

**NOTE 1: Summary of Significant Accounting Policies, continued**

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as unearned revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as unearned revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

**NOTE 1: Summary of Significant Accounting Policies, continued**

*D. Fund Accounting*

The County reports the following major governmental funds:

**General Fund** – The General Fund is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

**Contingency Fund** – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

**Road and Bridge Fund** – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Additionally, the County reports the following non-major fund types:

Governmental Funds:

**Non-Major Special Revenue Funds** – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

**Capital Projects Funds** – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

**Debt Service Fund** – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds:

**Internal Service Funds** – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds:

**Trust and Agency Funds** – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

*E. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Equity*

- Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. 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.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Central Appraisal District (the "Appraisal District") of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Central Appraisal District of Taylor County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

- Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Inventories and Prepaid Items, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by nonspendable fund balance which indicates they do not represent "available spendable resources."

- Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

- Receivables and Payables Balances

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue.

- Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- Deferred Inflows of Resources

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NOTE 2: Stewardship, Compliance and Accountability**

*A. Budgetary Information*

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2013

**NOTE 2: Stewardship, Compliance and Accountability, continued**

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

**NOTE 3: Deposits and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

*A. Investments*

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Quality Rating</u>
General Fund			
TexPool	\$ 2,258,452	44 days - Weighted Avg.	AAAm
Contingency Fund			
TexPool	192,895	44 days - Weighted Avg.	AAAm
Capital Project Funds			
TexPool	21,708	44 days - Weighted Avg.	AAAm
Debt Service Fund			
TexPool	532,490	44 days - Weighted Avg.	AAAm
Internal Service Funds			
TexPool	960,360	44 days - Weighted Avg.	AAAm
Other Governmental Funds			
TexPool	4,833,396	44 days - Weighted Avg.	AAAm
 Total Cash in BBVA Compass	 17,741,346		
Total Certificates of Deposit	5,000,649	Less than one year	
Municipal bond	337,056	15 months	A
U.S. government agency	2,001,366	21 months	AA+
Commercial paper	1,999,708	16 months or less	A-1
	<u>\$ 35,879,426</u>		

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

**NOTE 3: Deposits and Investments, continued**

*A. Investments, continued*

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (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, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

*B. Investment Accounting Policy*

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2013 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk – Diversification** by investment type shall be established by the following maximum percentages of investment types to the total County investment portfolio at the time of each investment transaction:

a.) U.S. Treasury Bills/Notes/Bonds	100%
b.) U.S. Agencies and Instrumentalities	85%
c.) States, Counties, Cities, and Other	50%
d.) Certificates of Deposit	100%
e.) Money Market Mutual Funds	80%
f.) Eligible Investment Pools	100%

Taylor County, Texas  
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**NOTE 3: Deposits and Investments, continued**

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. The maximum maturity for all construction or capital improvement funds shall not be more than five years. County funds that are considered “bond proceeds” for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool’s investment policy allows the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. TexPool is rated AAAM by Standard & Poor’s. It is the County’s policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

**NOTE 4: Receivables**

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Interest Receivable</u>	<u>Property Taxes</u>	<u>Other Receivables</u>	<u>Fines and Fees</u>	<u>Total Receivables</u>
Governmental Funds					
General Fund	\$	\$ 317,498	\$ 325,409	\$ 3,980,620	\$ 4,623,527
Road and Bridge Fund		12,753	56,073		68,826
Non-major					
Governmental Funds	<u>951</u>	<u>12,686</u>	<u>26,841</u>		<u>40,478</u>
Total-Governmental Funds	<u>\$ 951</u>	<u>\$ 342,937</u>	<u>\$ 408,323</u>	<u>\$ 3,980,620</u>	<u>\$ 4,732,831</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ (342,937)</u>	<u>\$ -</u>	<u>\$ (3,980,620)</u>	<u>\$ (4,323,557)</u>

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**NOTE 5: Capital Assets**

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

	<u>Balance</u> <u>October 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2013</u>
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,975,105	\$	\$	\$ 1,975,105
Total Non-depreciable Assets	<u>1,975,105</u>			<u>1,975,105</u>
Depreciable Assets				
Buildings and Improvements	69,228,249	530,682	14,413	69,744,518
Furniture and Equipment	2,932,823	565,652	18,056	3,480,419
Vehicles and Heavy Equipment	8,987,625	944,397	358,746	9,573,276
Infrastructure	<u>70,512,665</u>			<u>70,512,665</u>
Total Depreciable Assets	<u>151,661,362</u>	<u>2,040,731</u>	<u>391,215</u>	<u>153,310,878</u>
Total at Historic Cost	<u>153,636,467</u>	<u>2,040,731</u>	<u>391,215</u>	<u>155,285,983</u>
Less Accumulated Depreciation:				
Buildings and Improvements	42,032,464	2,021,949	10,529	44,043,884
Furniture and Equipment	2,119,651	301,884	18,056	2,403,479
Vehicles and Heavy Equipment	6,520,972	831,367	284,348	7,067,991
Infrastructure	<u>53,969,706</u>	<u>3,466,546</u>		<u>57,436,252</u>
Total Accumulated Depreciation	<u>104,642,793</u>	<u>6,621,746</u>	<u>312,933</u>	<u>110,951,606</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,993,674</u>	<u>\$ (4,581,015)</u>	<u>\$ 78,282</u>	<u>\$ 44,334,377</u>

Depreciation was charged to functions as follows:

General Administration	\$ 17,240
Judicial	33,606
Elections	17,643
Public Safety	1,393,947
Public Facilities	1,157,935
Road and Bridge	3,997,198
Health and Welfare	3,895
Conservation	282
	<u>\$ 6,621,746</u>

Taylor County, Texas  
Notes to Financial Statements  
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**NOTE 6: Interfund Balances and Activity**

*A. Due To and From Other Funds*

Balances due to and due from other funds at September 30, 2013, consisted of the following:

Due to General Fund from:	
Nonmajor Special Revenue Funds	\$ 18,392
Road and Bridge Fund	613,587
Due to Road and Bridge Fund from:	
Nonmajor Special Revenue Funds	31,348
Due to Nonmajor Special Revenue Funds from	
Nonmajor Special Revenue Funds	145,000
Due from Other Funds	<u>\$ 808,327</u>
Due to General Fund from:	
Agency Funds	<u>\$ 17,150</u>
Due to General Fund from:	
Internal Service Funds	<u>\$ 1,100,419</u>

Due to and due from other funds are interfund receivables and payables that reflect either short term borrowing or payroll clearing accounts between funds.

*B. Transfers To and From Other Funds*

Transfers to and from other funds at September 30, 2013, consisted of the following:

Transfers from General Fund to:	
Contingency Fund	\$ 813,216
Internal Service Funds	50,000
	<u>\$ 863,216</u>
Transfers from Nonmajor Special Revenue Funds to:	
General fund	7,451
Nonmajor Special Revenue Funds	19,912
	<u>\$ 27,363</u>

Transfers from the general fund provide additional funding for special projects or major repairs within the contingency fund and support for internal service functions.

**NOTE 7: Long-Term Obligations**

The County's long-term debt consists of general obligation refunding bonds. Other long-term debt consists of the accrued liability for employee vested compensated absences and the net OPEB obligation.

*A. Bonds*

On May 24, 2005, the County issued \$5,895,000 in Advanced General Obligation Refunding Bonds, Series 2005, to refund \$5,725,000 of the Series 1996 and Series 1999 bond issues. Interest is due semi-annually at rates ranging from 3% to 4%. The bonds mature serially through 2016.

Taylor County, Texas  
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**NOTE 7: Long-Term Obligations, continued**

The following table summarizes the annual debt service requirements of the outstanding bond issues at September 30, 2013, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2014	\$ 570,000	\$ 60,400	\$ 630,400
2015	595,000	37,100	632,100
2016	630,000	12,600	642,600
Total	<u>\$ 1,795,000</u>	<u>\$ 110,100</u>	<u>\$ 1,905,100</u>

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund.

Taylor County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Taylor County, Texas.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Loans and Leases Payable					
General Obligation Bonds	\$ 2,340,000	\$	\$ 545,000	\$ 1,795,000	\$ 570,000
Other Liabilities					
Compensated Absences	1,158,170		89,992	1,068,178	
Net OPEB Obligation	2,343,283	965,958		3,309,241	
Total Other Liabilities	<u>3,501,453</u>	<u>965,958</u>	<u>89,992</u>	<u>4,377,419</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 5,841,453</u>	<u>\$ 965,958</u>	<u>\$ 634,992</u>	<u>\$ 6,172,419</u>	<u>\$ 570,000</u>

**NOTE 8: Compensated Absences**

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide financial statements. At September 30, 2013, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,068,178.

**NOTE 9: Deferred Inflows of Resources**

	General Fund	Road and Bridge Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 317,498	\$ 12,753	\$ 12,686	\$ 342,937
Net Fines and Fees	\$ 3,980,620			\$ 3,980,620
Total	<u>4,298,118</u>	<u>12,753</u>	<u>12,686</u>	<u>4,323,557</u>

Adjustments required for government-wide Statement of Net Position decreased unavailable revenue by \$4,323,557.

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**NOTE 10: Risk Management**

The County has established a Self-Insurance Fund and an Employee Benefits Fund to separately report the activities of the County's general law enforcement professional liability, health, life and property insurance and worker's compensation plans.

General Liability

The County's liability insurance is a self-insured plan. The County informally budgets for current claims based on historical data. The County incurred \$54,890, \$53,436, and \$68,739, for liability claims during the years ended September 30, 2013, 2012, and 2011, respectively. There were no unpaid claims at September 30, 2013.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the County reimburses the insurance company for the amount of each claim paid. The insurance company charges the County a fee for each claim processed.

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative expenses. The County paid \$4,117,111, \$3,696,367, and \$3,450,322, in health claims, and paid \$771,316, \$750,353, and \$746,102, for administrative costs, for the years ended September 30, 2013, 2012, and 2011, respectively. The County contributed \$3,535,397, \$3,537,263, and \$3,450,322, and County employees contributed \$670,835, \$658,058, and \$648,963, to the health insurance program for the years ended September 30, 2013, 2012, and 2011, respectively. Retirees and other agency contributions were \$250,128, \$246,912, and \$219,195, for the years ended September 30, 2013, 2012, and 2011, respectively. Previous years' funds were utilized in funding the health insurance program.

Estimated health claims that have been incurred but not reported are accrued at year-end. The estimated liability for health claims was \$181,143, \$209,560, and \$419,985, at September 30, 2013, 2012, and 2011, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2013, 2012, and 2011.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2011	\$ 125,326	\$ 3,754,325	\$ 3,459,666	\$ 419,985
2012	419,985	3,696,367	3,906,792	209,560
2013	209,560	4,117,111	4,145,528	181,143

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. TAC reviews and processes all worker's compensation claims. The County informally budgets for current claims based on actuarial valuations and historical data. The County incurred \$252,493, \$64,557, and \$46,835, in worker's compensation claims for the years ended September 30, 2013, 2012, and 2011. Estimated liabilities for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was \$14,764, \$45,157, and \$12,805, at September 30, 2013, 2012, and 2011, respectively.

**NOTE 10: Risk Management, continued**

Summary

The Self-Insurance Fund has net position available for the purpose of funding all self-insurance programs, other than health, in the amount of \$832,515 at September 30, 2013. In the opinion of management, net position is adequate to meet probable claim contingencies at September 30, 2013. The Employee Benefits Fund has a net position of (\$439,024).

**NOTE 11: Pension 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 Texas County and District Retirement System (the TCDRS). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 624 nontraditional defined benefit 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 (employer), within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, 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 eight 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 employer-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 employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

*B. Funding Policy*

The County has elected the annually determined contribution rate (Variable Rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.52% for the months of the accounting year in 2013 and 9.25% for the months of the accounting year in 2012.

The deposit rate payable by the employee members for calendar year 2013 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Taylor County, Texas  
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**NOTE 11: Pension Plan, continued**

*C. Annual Pension Cost*

For the County's accounting year ended September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$1,752,115; the actual contributions were \$1,752,115.

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) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

*D. Funded Status and Funding Progress*

As of December 31, 2012, the most recent actuarial valuation date, the plan was 78.48% funded. The actuarial accrued liability for benefits was \$67,130,502, and the actuarial value of assets was \$52,680,876, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,449,626. The covered payroll (annual payroll of active employees covered by the plan) was \$21,554,883, and the ratio of UAAL to the covered payroll was 67.04%.

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

**NOTE 12: Fund Balance**

The County classifies governmental fund balance in the following categories:

*Nonspendable* fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2013, the County had \$3,920 and \$3,680 in nonspendable fund balance for inventory and prepaid items, respectively.

*Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled \$532,490 as of September 30, 2013. Fund balance restricted for capital projects totaled \$21,708 as of September 30, 2013. Special revenue fund balance restricted for specific programs included JP technology, JP security, and enabling legislation and totaled \$191,950, \$213,527, and \$1,178,061, respectively, as of September 30, 2013.

*Committed* fund balance is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2013, the County had no committed fund balance.

*Assigned* fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2013, the County had \$23,380 in fund balance assigned for road and bridge, \$2,631,905 assigned for contingencies and \$5,976,304 for other purposes.

*Unassigned* fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

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**NOTE 12: Fund Balance, continued**

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Debt service funds: Restricted fund balances of approximately 25-50% of the following year's debt service requirements, to be used for debt service.

**NOTE 13: Postemployment Healthcare Benefits**

Plan Description

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Permanent full-time employees who retire under TCDRS eligibility rules are eligible to participate in the County's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service or when the retirees age plus years of service equals 75. Spouses and dependents of retirees are also eligible. As of the date of the latest actuarial valuation, the County has 521 active employees and 39 retirees participating in the plan.

When a regular, full-time employee retires and is currently enrolled in the health care plan, they are eligible to continue to participate in the County's group health insurance and prescription plans. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Retirees may purchase retiree health care coverage for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired members may continue retiree health care coverage up to age 65 for spouses and to age 25 for dependents. Spouse and/or dependent must be on the plan prior to retirement of the employee. Retirees are required to enroll in Medicare Parts A and B once eligible.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, 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 30 years. The County's annual OPEB cost for the fiscal year ending September 30, 2013 is as follows:

Annual Required Contribution (ARC)	\$ 1,135,137
Interest on OPEB Obligation	105,448
Adjustment to the ARC	<u>(97,696)</u>
Annual OPEB Cost	1,142,889
Net estimated employer contributions	<u>(176,931)</u>
Increase (Decrease) in Net OPEB Obligation	965,958
Net OPEB Obligation, beginning of the year	<u>2,343,283</u>
Net OPEB Obligation, end of the year	<u><u>\$ 3,309,241</u></u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

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**NOTE 13: Postemployment Healthcare Benefits, continued**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization) are as follows:

Fiscal Year Ended	Net Employer Contributions	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Required Contribution	Percentage of ARC Contributed
9/30/2011	\$ -	\$ 617,005	0.0%	\$ 1,226,895	\$ 609,890	0.0%
9/30/2012	-	1,116,388	0.0%	2,343,283	1,102,075	0.0%
9/30/2013	176,931	1,142,889	15.5%	3,309,241	1,135,137	15.6%

Funding Status and Funding Progress

The funded status of the County's retiree health care plan as of October 31, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/31/2011	\$ -	\$ 10,839,135	\$ 10,839,135	0%	\$ 21,000,084	51.6%
10/31/2009	-	5,879,707	5,879,707	0%	20,284,194	29.0%

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$10,839,135 at October 31, 2011. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 51.6%.

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 recognition of the cost of 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 unfunded 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 the 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:

<u>Actuarial Valuation Date</u>	10/31/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Amortization Period	30 years, open period
Asset Valuation Method	Market Value
 Actuarial Assumptions:	
Investment Rate of Return	4.5%, net of investment expenses
Payroll Growth Rate	3%
Projected salary increases	0.25% to 5.25%, not including wage inflation rate of 4%
General Inflation Rate	3%
Healthcare Cost Trend Rate	8.5% in 2012 decreasing by 0.5% in 8 years to an ultimate rate of 4.5%

The number of active members is assumed to remain constant in the future

**NOTE 13: Postemployment Healthcare Benefits, continued**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. 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 provides multiyear 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.

The County selects a firm to conduct an independent actuarial valuation of its employer financed health benefits every two years as required by GASB 45. The most recent valuation was performed by the consultant and actuarial firm Gabriel Roeder Smith & Company. A copy of this report can be obtained by writing to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79602 or by calling 325-674-1252.

**NOTE 14: Upcoming Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the County to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TCDRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The County will fully analyze the impact of this new Statement prior to the effective dates for the Statement listed above.

**NOTE 15: Prior period adjustment**

The County decided to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2013. Prior to implementation, the County capitalized bond and other debt issuance costs in the government-wide financial statements when incurred and subsequently amortized the resulting asset over the life of the bonds. The Statement requires that such items now be expensed as incurred, including writing off balances previously capitalized. As a result, net position was decreased by \$30,163 at September 30, 2012.

The County decided to record the fines and fees receivables on the fund financial statements, which serves to increase total assets and total deferred inflows of resources by \$3,980,620. This adjustment has no effect on net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

TAYLOR COUNTY, TEXAS  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2013

Exhibit B-1

	<u>Budget Amounts</u>			Variance from Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 30,351,371	\$ 30,576,371	\$ 30,578,940	\$ 2,569
Other taxes	400,000	400,000	420,196	20,196
License and permits	572,000	572,000	595,260	23,260
Intergovernmental and grants	1,384,710	1,562,036	1,790,913	228,877
Fines and fees	3,842,050	3,617,050	3,762,755	145,705
Rents and recoveries	160,648	275,648	276,107	459
Investment earnings	150,100	85,100	102,171	17,071
Miscellaneous	155,000	180,976	41,068	(139,908)
Total revenues	<u>37,015,879</u>	<u>37,269,181</u>	<u>37,567,410</u>	<u>298,229</u>
<b>EXPENDITURES</b>				
Current				
General government	3,149,124	3,617,373	2,526,802	1,090,571
Financial	2,121,885	2,147,332	1,888,827	258,505
Judicial	5,676,982	5,989,316	5,805,578	183,738
Legal	2,265,040	2,270,845	2,166,367	104,478
Elections	323,668	324,392	315,287	9,105
Public facilities	1,276,477	1,294,986	1,040,603	254,383
Public safety	18,943,377	19,103,939	18,248,025	855,914
Road and bridge	4,500	4,500	262	4,238
Health and welfare	3,924,474	3,928,060	3,351,628	576,432
Conservation	536,446	541,224	470,929	70,295
Culture and recreation	178,355	196,351	29,432	166,919
Capital Outlay				
Capital outlay			917,005	(917,005)
Total expenditures	<u>38,400,328</u>	<u>39,418,318</u>	<u>36,760,745</u>	<u>2,657,573</u>
Excess revenues over expenditures	(1,384,449)	(2,149,137)	806,665	2,955,802
<b>OTHER FINANCING SOURCES</b>				
Transfers (out) in	1,384,449		(855,765)	(855,765)
Sale of property			10	10
Total other financing sources (uses)	<u>1,384,449</u>		<u>(855,755)</u>	<u>(855,755)</u>
NET CHANGE IN FUND BALANCE		(2,149,137)	(49,090)	2,100,047
FUND BALANCE AT BEGINNING OF YEAR	<u>21,972,435</u>	<u>21,972,435</u>	<u>21,972,435</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 21,972,435</u>	<u>\$ 19,823,298</u>	<u>\$ 21,923,345</u>	<u>\$ 2,100,047</u>

TAYLOR COUNTY, TEXAS  
 Road and Bridge  
 Budgetary Comparison Schedule  
 For the Year Ended September 30, 2013

Exhibit B-2

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 1,130,000	\$ 1,230,000	\$ 1,240,977	\$ 10,977
Other taxes	925,000	1,110,000	1,114,280	4,280
Licenses and permits	1,515,000	1,640,000	1,595,969	(44,031)
Intergovernmental and grants	153,600	167,807	14,207	(153,600)
Fines and fees			48,476	48,476
Investment earnings	250	250	261	11
Other revenue	1,500	11,065	1,795	(9,270)
	<u>3,725,350</u>	<u>4,159,122</u>	<u>4,015,965</u>	<u>(143,157)</u>
<b>EXPENDITURES</b>				
Current				
Road and bridge	3,400,312	3,622,757	3,392,448	230,309
Capital outlay				
Capital outlay	510,633	1,029,886	680,850	349,036
	<u>3,910,945</u>	<u>4,652,643</u>	<u>4,073,298</u>	<u>579,345</u>
Excess revenues over expenditures	(185,595)	(493,521)	(57,333)	436,188
<b>OTHER FINANCING SOURCES</b>				
Transfers in	185,595			
Sale of property			9,565	9,565
	<u>185,595</u>	<u>-</u>	<u>9,565</u>	<u>9,565</u>
NET CHANGE IN FUND BALANCE		(493,521)	(47,768)	445,753
FUND BALANCE AT BEGINNING OF YEAR	22,128	22,128	22,128	
FUND BALANCE AT END OF YEAR	<u>\$ 22,128</u>	<u>\$ (471,393)</u>	<u>\$ (25,640)</u>	<u>\$ 445,753</u>

TAYLOR COUNTY, TEXAS  
 Required Supplementary Information  
 Schedule of Funding Progress, Texas County and District Retirement System  
 September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$ 51,281,133	\$ 63,539,780	\$ 12,258,647	80.71%	\$ 20,686,358	59.26%
12/31/2011	51,068,512	64,402,269	13,333,757	79.30%	21,000,084	63.49%
12/31/2012	52,680,876	67,130,502	14,449,626	78.48%	21,554,883	67.04%

TAYLOR COUNTY, TEXAS  
 Required Supplementary Information  
 Schedule of Funding Progress, Postemployment Healthcare Benefits  
 September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/31/2011	\$ -	\$ 10,839,135	\$ 10,839,135	0.00%	\$ 21,000,084	51.6%
10/31/2009	-	5,879,707	5,879,707	0.00%	20,284,194	29.0%

## **BUDGETARY INFORMATION**

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2013 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of \$917,005 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

## **FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS**

The County has conducted two actuarial valuations of its employer financed health benefits as required by GASB 45. The next valuation will be available for October 31, 2013.

**COMBINING STATEMENTS**

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

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,708	\$ 7,644,808	\$ 532,490	\$ 8,199,006
Interest receivable		951		951
Accounts receivable-net				
Property taxes			12,686	12,686
Other		26,841		26,841
Due from other funds		145,000		145,000
<b>Total assets</b>	<b>\$ 21,708</b>	<b>\$ 7,817,600</b>	<b>\$ 545,176</b>	<b>\$ 8,384,484</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$ 39,638	\$	\$ 39,638
Due to other funds		194,740		194,740
<b>Total liabilities</b>		<b>234,378</b>		<b>234,378</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes			12,686	12,686
<b>Total deferred inflows of resources</b>			<b>12,686</b>	<b>12,686</b>
<b>Fund balances</b>				
<b>Restricted for</b>				
Debt service			532,490	532,490
Capital projects	21,708			21,708
JP Technology		191,950		191,950
JP Security		213,527		213,527
Enabling legislation		1,178,061		1,178,061
<b>Assigned for</b>				
Road and bridge		23,380		23,380
Other purposes		5,976,304		5,976,304
<b>Total fund balance</b>	<b>21,708</b>	<b>7,583,222</b>	<b>532,490</b>	<b>8,137,420</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 21,708</b>	<b>\$ 7,817,600</b>	<b>\$ 545,176</b>	<b>\$ 8,384,484</b>

## TAYLOR COUNTY, TEXAS

Exhibit C-2

## Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2013

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>REVENUES</b>				
Taxes				
Property taxes	\$	\$	\$ 561,178	\$ 561,178
Intergovernmental and grants		1,081,750		1,081,750
Fines and fees		491,808		491,808
Investment earnings	21	16,040	589	16,650
Miscellaneous		440,155		440,155
Total revenues	21	2,029,753	561,767	2,591,541
<b>EXPENDITURES</b>				
Current				
General government		693,058		693,058
Financial		11,577		11,577
Legal		305,613		305,613
Elections		31,748		31,748
Public safety		1,281,209		1,281,209
Road and bridge		37,803		37,803
Health and welfare		65,751		65,751
Debt Service				
Debt principal			545,000	545,000
Debt interest and agent fees			85,951	85,951
Capital outlay				
Capital outlay		13,326		13,326
Total expenditures	-	2,440,085	630,951	3,071,036
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21	(410,332)	(69,184)	(479,495)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		19,912		19,912
Transfers out		(27,363)		(27,363)
Total other financing sources (uses)	-	(7,451)	-	(7,451)
NET CHANGE IN FUND BALANCES	21	(417,783)	(69,184)	(486,946)
FUND BALANCES AT BEGINNING OF YEAR	21,687	8,001,005	601,674	8,624,366
FUND BALANCES AT END OF YEAR	\$ 21,708	\$ 7,583,222	\$ 532,490	\$ 8,137,420

TAYLOR COUNTY, TEXAS  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 September 30, 2013

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,358,837	\$ 804,993	\$ 952,270	\$ 171,428
Interest receivable				
Accounts receivable (net)		243	7,631	126
Due from other funds				
Total assets	\$ 2,358,837	\$ 805,236	\$ 959,901	\$ 171,554
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$	\$	\$ 212	\$
Due to other funds			404	
Total liabilities	-	-	616	-
 Fund balance				
Restricted for				
JP Technology				
JP Security				
Enabling legislation			959,285	171,554
Assigned for				
Road and bridge				
Other purposes	2,358,837	805,236		
Total fund balance	2,358,837	805,236	959,285	171,554
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,358,837</b>	<b>\$ 805,236</b>	<b>\$ 959,901</b>	<b>\$ 171,554</b>

<u>Commissioners Special NAR</u>	<u>VIT Escrow</u>	<u>Restricted Fees</u>	<u>District Attorney Special</u>	<u>D.A. Narcotic Forfeiture</u>	<u>D.A. Narcotic Seizure</u>	<u>Election Service Contract</u>	<u>Juvenile Jury Fund</u>
\$ 50,389	\$ 78,872	\$ 405,083 951	\$ 102,575 3,494	\$ 794,436	\$ 191,385	\$ 197,484 1,767	\$ 39,405
<u>\$ 50,389</u>	<u>\$ 78,872</u>	<u>\$ 406,034</u>	<u>\$ 106,069</u>	<u>\$ 794,436</u>	<u>\$ 191,385</u>	<u>\$ 199,251</u>	<u>\$ 39,405</u>
\$ 10,250	\$	\$ 557	\$ 606 2,596	\$	\$	\$ 8,380 32	\$ 6,422 -
10,250	-	557	3,202	-	-	8,412	6,422
		191,950 213,527					
<u>40,139</u>	<u>78,872</u>	<u></u>	<u>102,867</u>	<u>794,436</u>	<u>191,385</u>	<u>190,839</u>	<u>32,983</u>
<u>40,139</u>	<u>78,872</u>	<u>405,477</u>	<u>102,867</u>	<u>794,436</u>	<u>191,385</u>	<u>190,839</u>	<u>32,983</u>
<u>\$ 50,389</u>	<u>\$ 78,872</u>	<u>\$ 406,034</u>	<u>\$ 106,069</u>	<u>\$ 794,436</u>	<u>\$ 191,385</u>	<u>\$ 199,251</u>	<u>\$ 39,405</u>

TAYLOR COUNTY, TEXAS  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 September 30, 2013

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
<b>ASSETS</b>				
Cash and cash equivalents	\$ 164,850	\$ 1,016,694	\$ 176,288	\$ 37,318
Interest receivable				
Accounts receivable (net)	1,490	12,090		
Due from other funds		145,000		
Total assets	\$ 166,340	\$ 1,173,784	\$ 176,288	\$ 37,318
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 6,973	\$ 1,467	\$ 5,116	\$
Due to other funds	158,659		805	
Total liabilities	165,632	1,467	5,921	-
Fund balance				
Restricted for				
JP Technology				
JP Security				
Enabling legislation				
Assigned for				
Road and bridge				
Other purposes	708	1,172,317	170,367	37,318
Total fund balance	708	1,172,317	170,367	37,318
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 166,340</b>	<b>\$ 1,173,784</b>	<b>\$ 176,288</b>	<b>\$ 37,318</b>

Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 47,773	\$ 54,728	\$ 7,644,808
		951
		26,841
		145,000
<u>\$ 47,773</u>	<u>\$ 54,728</u>	<u>\$ 7,817,600</u>
\$ 212	\$	\$ 39,638
<u>339</u>	<u>31,348</u>	<u>194,740</u>
551	31,348	234,378
		191,950
		213,527
47,222		1,178,061
	23,380	23,380
		<u>5,976,304</u>
<u>47,222</u>	<u>23,380</u>	<u>7,583,222</u>
<u>\$ 47,773</u>	<u>\$ 54,728</u>	<u>\$ 7,817,600</u>

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2013

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
<b>REVENUES</b>				
Intergovernmental and grants	\$	\$	\$	\$
Fines and fees			270,169	14,063
Investment earnings	7,508	2,020	3,599	
Other revenues	<u>67,678</u>	<u>22,083</u>	<u>          </u>	<u>27,111</u>
Total revenues	75,186	24,103	273,768	41,174
<b>EXPENDITURES</b>				
Current				
General government			645,822	3,736
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	65,751			
Capital outlay				
Capital outlay				
Total expenditures	<u>65,751</u>	<u>-</u>	<u>645,822</u>	<u>3,736</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>9,435</u>	<u>24,103</u>	<u>(372,054)</u>	<u>37,438</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	9,435	24,103	(372,054)	37,438
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>2,349,402</u>	<u>781,133</u>	<u>1,331,339</u>	<u>134,116</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,358,837</u>	<u>\$ 805,236</u>	<u>\$ 959,285</u>	<u>\$ 171,554</u>

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$	\$	\$	\$	\$	\$	\$	\$
		25,425	40,063 84,688			23,556 59,698	
72	81	17,990	123	781	150 93,329	143	38
							374
72	81	43,415	124,874	781	93,479	83,397	412
43,500	11,577	15,172	192,426	59,553	38,462	31,748	3,409
	360	463					
43,500	11,937	15,635	192,426	59,553	38,462	31,748	3,409
(43,428)	(11,856)	27,780	(67,552)	(58,772)	55,017	51,649	(2,997)
1,630				14,671	(19,913)		
1,630	-	-	-	14,671	(19,913)		-
(41,798)	(11,856)	27,780	(67,552)	(44,101)	35,104	51,649	(2,997)
81,937	90,728	377,697	170,419	838,537	156,281	139,190	35,980
\$ 40,139	\$ 78,872	\$ 405,477	\$ 102,867	\$ 794,436	\$ 191,385	\$ 190,839	\$ 32,983

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2013

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
<b>REVENUES</b>				
Intergovernmental and grants	\$ 911,428	\$ 63,156	\$	\$
Fines and fees		37,765		
Investment earnings	360	925	94	42
Other revenues			208,000	
Total revenues	911,788	101,846	208,094	42
<b>EXPENDITURES</b>				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	1,087,081	40,371	132,750	3,198
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			2,494	
Total expenditures	1,087,081	40,371	135,244	3,198
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	(175,293)	61,475	72,850	(3,156)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				(7,450)
Total other financing sources (uses)	-	-		(7,450)
<b>NET CHANGE IN FUND BALANCE</b>				
	(175,293)	61,475	72,850	(10,606)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	176,001	1,110,842	97,517	47,924
<b>FUND BALANCES AT END OF YEAR</b>				
	\$ 708	\$ 1,172,317	\$ 170,367	\$ 37,318

Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 9,150	\$ 34,397	\$ 1,081,750
		491,808
46	58	16,040
<u>3,590</u>		<u>440,155</u>
12,786	34,455	2,029,753
		693,058
		11,577
		305,613
		31,748
14,400		1,281,209
	37,803	37,803
		65,751
<u>10,009</u>		<u>13,326</u>
<u>24,409</u>	<u>37,803</u>	<u>2,440,085</u>
<u>(11,623)</u>	<u>(3,348)</u>	<u>(410,332)</u>
3,611		19,912
		(27,363)
<u>3,611</u>	<u>-</u>	<u>(7,451)</u>
(8,012)	(3,348)	(417,783)
<u>55,234</u>	<u>26,728</u>	<u>8,001,005</u>
<u>\$ 47,222</u>	<u>\$ 23,380</u>	<u>\$ 7,583,222</u>

TAYLOR COUNTY, TEXAS  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 September 30, 2013

Exhibit C-5

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,178	\$ 12,530	\$ 21,708
Total assets	\$ 9,178	\$ 12,530	\$ 21,708
<b>LIABILITIES AND FUND BALANCE</b>			
Fund Balances:			
Restricted for:			
Capital projects	\$ 9,178	\$ 12,530	\$ 21,708
Total fund balances	9,178	12,530	21,708
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 9,178</b>	<b>\$ 12,530</b>	<b>\$ 21,708</b>

TAYLOR COUNTY, TEXAS

Exhibit C-6

Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2013

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Investment earnings	\$ 8	\$ 13	\$ 21
Total revenues	8	13	21
<b>EXPENDITURES</b>			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	8	13	21
<b>NET CHANGE IN FUND BALANCE</b>	<b>8</b>	<b>13</b>	<b>21</b>
<b>FUND BALANCES</b>			
AT BEGINNING OF YEAR	9,170	12,517	21,687
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 9,178</b>	<b>\$ 12,530</b>	<b>\$ 21,708</b>

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Net Position  
September 30, 2013

Exhibit C-7

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 826,997	\$ 835,265	\$ 1,662,262
Accounts receivable	<u>5,518</u>	<u>7,273</u>	<u>12,791</u>
Total assets	<u>\$ 832,515</u>	<u>\$ 842,538</u>	<u>\$ 1,675,053</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Accounts payable	\$	\$ 181,143	\$ 181,143
Due to other funds	<u></u>	<u>1,100,419</u>	<u>1,100,419</u>
Total liabilities	-	1,281,562	1,281,562
Net position			
Unrestricted	<u>832,515</u>	<u>(439,024)</u>	<u>393,491</u>
Total net position	<u>832,515</u>	<u>(439,024)</u>	<u>393,491</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 832,515</u>	<u>\$ 842,538</u>	<u>\$ 1,675,053</u>

## Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2013

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$	\$ 4,456,360	\$ 4,456,360
Other revenue	5,518		5,518
Total operating revenues	5,518	4,456,360	4,461,878
<b>OPERATING EXPENSES</b>			
Contracted services		1,040,974	1,040,974
Claims	60,408	4,117,111	4,177,519
Total operating expenses	60,408	5,158,085	5,218,493
OPERATING LOSS	(54,890)	(701,725)	(756,615)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	2,046	263	2,309
Loss before transfers	(52,844)	(701,462)	(754,306)
<b>TRANSFERS</b>			
Transfers in	50,000	-	50,000
Net transfers	50,000	-	50,000
CHANGE IN NET POSITION	(2,844)	(701,462)	(704,306)
NET POSITION AT BEGINNING OF YEAR	835,359	262,438	1,097,797
NET POSITION AT END OF YEAR	\$ 832,515	\$ (439,024)	\$ 393,491

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended September 30, 2013

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from interfund services provided	\$	\$ 4,449,087	\$ 4,449,087
Cash payments for claims	(60,408)	(3,045,109)	(3,105,517)
Cash payments for insurance premiums		(1,040,974)	(1,040,974)
Net cash (used by) provided by operating activities	<u>(60,408)</u>	<u>363,004</u>	<u>302,596</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net cash provided by non-capital financing activities	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>2,046</u>	<u>263</u>	<u>2,309</u>
Net cash provided by investing activities	<u>2,046</u>	<u>263</u>	<u>2,309</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(8,362)	363,267	354,905
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>835,359</u>	<u>471,998</u>	<u>1,307,357</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 826,997</u>	<u>\$ 835,265</u>	<u>\$ 1,662,262</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH (USED BY) PROVIDED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (54,890)	\$ (701,725)	\$ (756,615)
Net change in:			
Accounts receivable	(5,518)	(7,273)	(12,791)
Due to other funds		1,100,419	1,100,419
Claims payable	-	(28,417)	(28,417)
Total adjustments	<u>(5,518)</u>	<u>1,064,729</u>	<u>1,059,211</u>
Net cash (used by) provided by operating activities	<u>\$ (60,408)</u>	<u>\$ 363,004</u>	<u>\$ 302,596</u>

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

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Abilene Bail Bond Fund	Appellate Judicial Fund
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 218,913	\$ 6,853	\$ 79,569	\$ 52,639	\$ 785
Due from other funds	16,005				
Accounts receivable	16,962				
<b>TOTAL ASSETS</b>	<b>\$ 251,880</b>	<b>\$ 6,853</b>	<b>\$ 79,569</b>	<b>\$ 52,639</b>	<b>\$ 785</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 235,713	\$	\$	\$	\$
Due to other funds	15,865		16,505		785
Due to others	302	6,853	63,064	52,639	
<b>TOTAL LIABILITIES</b>	<b>\$ 251,880</b>	<b>\$ 6,853</b>	<b>\$ 79,569</b>	<b>\$ 52,639</b>	<b>\$ 785</b>

<u>County Clerk</u>	<u>Tax Assessor Collector</u>	<u>District Clerk</u>	<u>JP Precinct 1 Place 1</u>	<u>JP Precinct 1 Place 2</u>	<u>Inmate Fund</u>	<u>Jail Commissary Fund</u>
\$ 118,794	\$ 1,246,934	\$ 192,597	\$ 3,534	\$ 10,079	\$ 17,151	\$ 33,891
<u>\$ 118,794</u>	<u>\$ 1,246,934</u>	<u>\$ 192,597</u>	<u>\$ 3,534</u>	<u>\$ 10,079</u>	<u>\$ 17,151</u>	<u>\$ 33,891</u>
\$	\$	\$	\$	\$	\$	\$
<u>118,794</u>	<u>1,246,934</u>	<u>192,597</u>	<u>3,534</u>	<u>10,079</u>	<u>17,151</u>	<u>33,891</u>
<u>\$ 118,794</u>	<u>\$ 1,246,934</u>	<u>\$ 192,597</u>	<u>\$ 3,534</u>	<u>\$ 10,079</u>	<u>\$ 17,151</u>	<u>\$ 33,891</u>

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

	<u>Civil Fund</u>	<u>Social Services Fund</u>	<u>Community Corrections Fund</u>	<u>Community Corrections Tax</u>	<u>Community Corrections Christmas</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 69	\$ 4,330	\$ 1,428,827	\$ 100	\$ 1,907
Due from other funds					
Accounts receivable					
<b>TOTAL ASSETS</b>	<u>\$ 69</u>	<u>\$ 4,330</u>	<u>\$ 1,428,827</u>	<u>\$ 100</u>	<u>\$ 1,907</u>
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>69</u>	<u>4,330</u>	<u>1,428,827</u>	<u>100</u>	<u>1,907</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 69</u>	<u>\$ 4,330</u>	<u>\$ 1,428,827</u>	<u>\$ 100</u>	<u>\$ 1,907</u>

<u>Rest Center Fund</u>	<u>Tax Assessor Sales Tax</u>	<u>Tax Assessor Escrow</u>	<u>Tax Assessor Escrow-Texpool</u>	<u>Domestic Relations Fund</u>	<u>Employee Service Fund</u>	<u>County Clerk Bail Bonds</u>
\$ 17,251	\$ 263	\$ 9,192	\$ 364,193	\$ 1,542	\$ 16,086	\$ 439,350
<u>\$ 17,251</u>	<u>\$ 263</u>	<u>\$ 9,192</u>	<u>\$ 364,193</u>	<u>\$ 1,542</u>	<u>\$ 16,086</u>	<u>\$ 439,350</u>
\$	\$	\$	\$	\$	\$	\$
<u>17,251</u>	<u>263</u>	<u>9,192</u>	<u>364,193</u>	<u>1,542</u>	<u>16,086</u>	<u>439,350</u>
<u>\$ 17,251</u>	<u>\$ 263</u>	<u>\$ 9,192</u>	<u>\$ 364,193</u>	<u>\$ 1,542</u>	<u>\$ 16,086</u>	<u>\$ 439,350</u>

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

	DA Collections Trust	District Clerk Bonds	Registry Fund	District Attorney Escrow	Local Emergency Planning
ASSETS:					
Cash and cash equivalents	\$ 37,349	\$ 96,824	\$ 588,144	\$ 26,301	\$ 602
Due from other funds					
Accounts receivable					
TOTAL ASSETS	<u>\$ 37,349</u>	<u>\$ 96,824</u>	<u>\$ 588,144</u>	<u>\$ 26,301</u>	<u>\$ 602</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>37,349</u>	<u>96,824</u>	<u>588,144</u>	<u>26,301</u>	<u>602</u>
TOTAL LIABILITIES	<u>\$ 37,349</u>	<u>\$ 96,824</u>	<u>\$ 588,144</u>	<u>\$ 26,301</u>	<u>\$ 602</u>

<u>Veterans War Memorial</u>	<u>JP 2 Fund</u>	<u>JP 3 Fund</u>	<u>District Attorney Collections Trust II</u>	<u>District Attorney Collections Trust III</u>	<u>Total Agency Funds</u>
\$ 2,898	\$ (2,035)	\$ 3,887	\$ 21,558	\$ 34,274	\$ 5,074,651
					16,005
					16,962
<u>\$ 2,898</u>	<u>\$ (2,035)</u>	<u>\$ 3,887</u>	<u>\$ 21,558</u>	<u>\$ 34,274</u>	<u>\$ 5,107,618</u>
\$	\$	\$	\$	\$	\$ 235,713
					33,155
<u>2,898</u>	<u>(2,035)</u>	<u>3,887</u>	<u>21,558</u>	<u>34,274</u>	<u>4,838,750</u>
<u>\$ 2,898</u>	<u>\$ (2,035)</u>	<u>\$ 3,887</u>	<u>\$ 21,558</u>	<u>\$ 34,274</u>	<u>\$ 5,107,618</u>

**GOVERNMENTAL REPORTING SECTION**

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*

The Honorable Judge  
Members of the Commissioners Court  
Taylor 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 Taylor County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 11, 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.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
March 11, 2014