

PARKER COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2014

**PARKER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2014**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
and County Commissioners' Court
Parker 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 Parker County, Texas (the County) as of and for the year ended September 30, 2014, 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 misstatements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2014 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 on pages 4 – 12 and the schedules of revenues, expenditures and changes in fund balance – budget to actual General Fund and Lateral Road Fund 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

Parker County, Texas

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procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
October 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of Parker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2014. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities exceeded the County's assets and deferred outflows of resources at September 30, 2014 by \$15,255,472 (deficit net position). Of this amount, \$7,729,491 is restricted for specific purposes and \$19,183,338 represents a deficit in unrestricted net position. Also, as required by GASB 34, net position also reflects \$3,801,625 deficit net investment in capital assets.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at September 30, 2014 of \$34,463,723; of which \$7,614,572 represents non-spendable fund balance, \$15,627,591 represents fund balance restricted for funding of debt service, capital projects, the lateral road fund, and federal and state programs, \$155,917 represents fund balance assigned to state and special programs, and \$11,065,643 or 32% represents unassigned fund balance.
- The general fund reports a fund balance of \$11,091,401; of which \$23,473 represents non-spendable fund balance with the remaining reported as unassigned. Unassigned fund balance for the General fund equals 28% of total General fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) other required supplementary information in addition to the basic financial statements themselves. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County as well as all liabilities (including long-term debt). Additionally, interfund activity including has been eliminated.

The statement of net position presents information on all of the County's assets, deferred outflows of resources less liabilities and deferred inflows with the remaining reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government; public safety; health and welfare; roads and bridges; law enforcement; judicial; recording; and tax assessing-collecting.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County maintains thirty-nine individual funds (excluding fiduciary funds), thirty-four special revenue funds, a capital project fund, a debt service fund, lateral road fund, an internal service fund and a general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Fund, Capital Projects Tax Road Bonds Fund and the Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The County uses an internal service fund to account for its self-insurance programs. Because these activities benefit governmental functions, they have been included with governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 22 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget comparisons. The required supplementary information can be found on pages 48 through 50 of this report. Combining statements and schedules are also included in the report as other supplementary information and can be found on pages 51 through 67.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities exceeded assets and deferred outflows of resources by \$(15,255,472) as of September 30, 2014. Also, the County's net position includes prior period adjustments that resulted in restatement of financial statements for 2013. See Note 13 on pages 46 through 47 for additional information.

Parker County's Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 45,183,641	\$ 43,588,353
Capital assets, net of depreciation	46,165,228	79,669,524
Total assets	91,348,869	123,257,877
Deferred loss on refunding	529,207	-
Long-term liabilities	100,584,956	103,009,932
Other liabilities	6,548,592	4,415,859
Total liabilities	107,133,548	107,425,791
Net position		
Net investment in capital assets	(3,801,625)	13,952,302
Restricted	7,729,491	8,079,250
Unrestricted	(19,183,338)	(6,199,466)
Total net position	\$ (15,255,472)	\$ 15,832,086

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is (\$3,801,625). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets is a deficit because the County has conveyed assets to other entities but must continue to meet the debt service requirements on the assets no longer owned by the County. An additional \$7,729,491 of the County's net position represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for purposes established by state and local laws, future construction, and debt service requirements on the County's outstanding debt. The unrestricted net position of (\$19,183,338) is a deficit which is the result of current year conveyance of assets to other governmental entities.

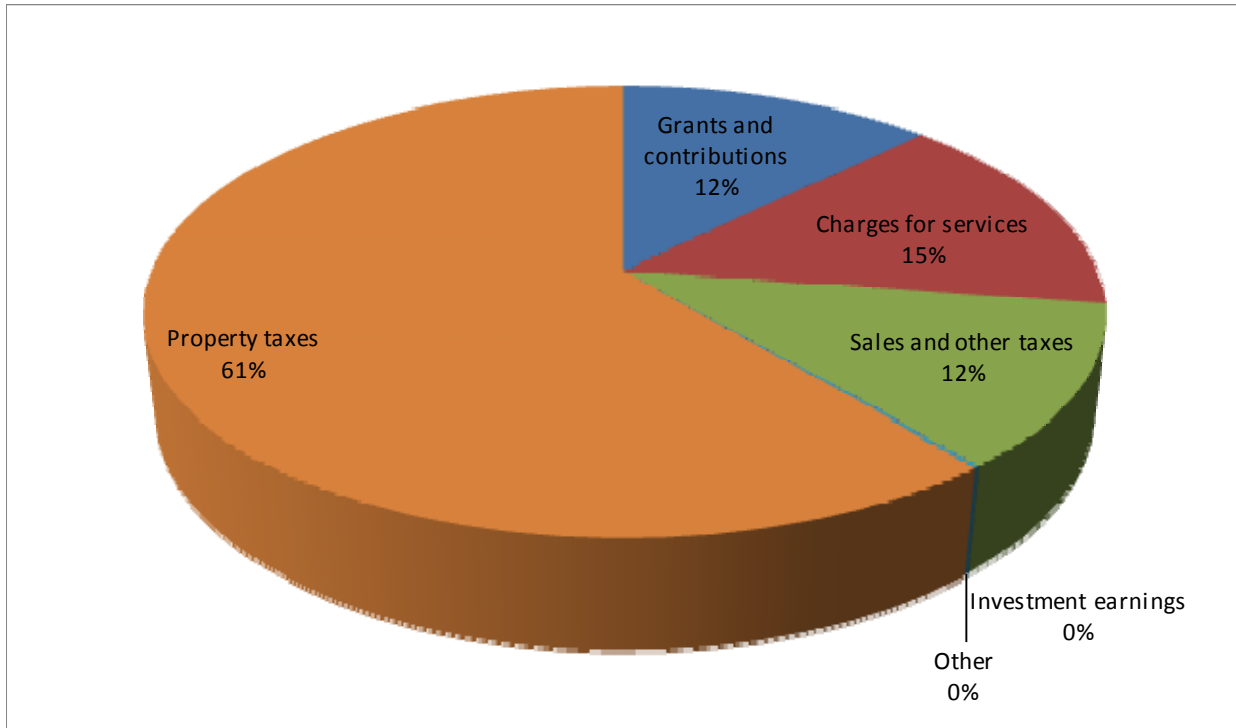
The County's governmental activities decreased net position by \$26,319,411 during the current year. Included in this decrease is \$32,471,989 related to assets donated or conveyed to other governmental entities. Although the County will not maintain or own these assets, it continues to be responsible for paying the debt.

The total cost of all governmental activities this year was \$89,399,730. The amount that our taxpayers paid for these activities through property taxes was \$38,463,466 or 43%.

Parker County's Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
Program revenues		
Charges for services	\$ 9,247,117	\$ 9,512,774
Operating grants and contributions	4,316,163	4,207,221
Capital grants and contributions	3,621,786	52,677
General revenues		
Property taxes	38,463,466	38,326,288
Sales and other taxes	7,314,971	7,127,485
Investment earnings	10,458	13,669
Other	106,358	243,996
	63,080,319	59,484,110
Expenses		
General government	8,355,607	8,234,939
Roads and bridges	43,925,132	13,343,144
Public safety	1,746,548	1,868,782
Law enforcement	18,064,007	16,841,535
Judicial	9,357,253	8,925,330
Health and welfare	616,474	588,265
Recording	2,300,355	2,275,973
Tax assessing-collecting	825,197	757,220
Interest and other costs	4,209,157	4,502,640
	89,399,730	57,337,828
Change in net position	(26,319,411)	2,146,282
Net position-beginning	15,832,086	16,483,049
Prior period adjustment	(4,768,147)	(2,797,245)
Net position-beginning, restated	11,063,939	13,685,804
Net position-ending	\$ (15,255,472)	\$ 15,832,086

Revenues by Source



Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$17,185,066 equaled 19% of governmental expenses of \$89,399,730. As expected, general revenues in the amount of \$45,895,253 provided the remaining support and coverage for expenses.
- 20% or \$18,064,007 of the expenses are law enforcement while this category provided 6% of total revenues.
- The largest category of expenses is roads and bridges \$43,925,132 at 49% while it only provided about 10% of total revenues.
- Grant revenues and contributions comprised about 13% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$34,463,723, a decrease of \$5,671,911 in comparison with the prior year. Approximately \$11,065,643 or 32% of the fund balance represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is made up of nonspendable fund balance of \$7,614,572, assigned fund balance of \$155,917, and restricted fund balance of \$15,627,591. Assigned fund balance is set aside for state and special programs while the restricted fund balance is set aside to pay debt service in the amount of \$642,279, and fund capital projects in the amount of \$7,537,814, lateral road in the amount of \$4,271,217, and federal and state programs in the amount of \$3,176,281.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was \$11,091,401; of which \$23,473 was nonspendable fund balance, and the remainder was unassigned. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents over 27%.

The fund balance of the County's general fund increased by \$62,975. Key factors contributing to the increase include increases in sales tax and intergovernmental revenue while expenditures remaining consistent with the prior year.

The debt service fund has a total fund balance of \$642,279, all of which is restricted for debt service. The net decrease in fund balance during the current year in the debt service funds was \$610,167. Total debt principal, interest and fiscal charges increased from the prior year primarily due to the payments on the Unlimited Tax Road Bonds.

The capital projects funds had a total fund balance of \$15,127,814, \$7,590,000 of which is related to a long-term receivable and is considered non-spendable. The remaining fund balance is restricted for construction and improvements or acquisition of County-owned buildings and equipment. The net decrease in fund balance during the current year in the capital projects funds was \$6,337,221 due to capital outlay expenditures during the current year.

The lateral road fund had a total fund balance of \$4,271,217, all of which is restricted for maintenance and construction of County roads and bridges. The net increase in fund balance during the current year in the lateral road fund was \$760,625 due to continued property tax collections and a current year transfer from the general fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2014 budget was adopted in September 2013, with the total beginning general fund expenditures in the amount of \$40,927,331.

In total, the original general fund budget for expenditures equaled the final general fund amended budget for expenditures.

Significant variations between the final budget and actual amounts include the following:

- Actual revenues were greater than budgeted by \$1,965,870 primarily due to the increase in sales tax collections and additional intergovernmental, fees of office and miscellaneous revenue over what was expected; and
- Actual expenditures were \$743,648 less than budgeted primarily due to lower costs of buildings and grounds, non-departmental, sheriff administration, fire protection, and juvenile probation expenditures than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The capital assets of the County are those assets, which are used in the performance of the County's functions including current year expenditures for infrastructure assets. At September 30, 2014, net capital assets of the governmental activities totaled \$46,165,228. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$3,517,988.

Parker County's Capital Assets (net of depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 2,327,118	\$ 5,565,537
Work in progress	7,869,684	22,839,709
Buildings and improvements	23,620,628	24,754,568
Infrastructure	5,886,586	19,896,736
Office furniture and equipment	2,244,771	2,290,773
Transportation equipment	968,537	767,821
Road maintenance equipment	3,114,366	3,306,842
Fire management equipment	-	-
Emergency management equipment	124,785	244,415
Other	8,753	3,123
Total	<u>\$ 46,165,228</u>	<u>\$ 79,669,524</u>

Additional information on the County's capital assets can be found in Note 5 beginning on page 35 this report.

Long-term debt and capital leases. As of September 30, 2014, the County had unlimited tax road bonds, general obligation refunding bonds, and certificates of obligation outstanding of \$92,986,138. Total capital leases payable were \$1,680,105.

The County's total property tax rate for fiscal year 2014 was \$0.412375 per \$100 assessed valuation, of which \$0.064376 was for annual debt service, \$.0825787 was for maintenance of County roads accounted for in the lateral road fund with the remaining levied on general maintenance and operations in the general fund.

Parker County's Outstanding Debt

	Governmental Activities	
	2014	2013
Unlimited tax road bonds	\$ 77,821,138	\$ 78,368,552
General obligation refunding bonds	15,165,000	2,695,000
Certificates of obligation	-	12,925,000
Capital leases payable	1,680,105	2,329,449
 Total	 \$ 94,666,243	 \$ 96,318,001

Additional information on the County's long-term debt can be found in Note 8 beginning on pages 38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for fiscal year 2015, the County Commissioners and management considered that the County, which is located near the /Fort Worth Metroplex, is expecting an increase in population, households, and retail sales, therefore sales tax revenues for the County are expected to increase approximately 6%.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the appropriate financial office (County Auditor) at 1112 Santa Fe Drive, Weatherford, Texas, 76086 or (Parker County Judge) at 1 Courthouse Square, Weatherford, Texas 76086.

BASIC FINANCIAL STATEMENTS

**PARKER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 4,364,806
Investments	30,261,423
Receivables, net of allowance	10,462,840
Prepaid expenses and other assets	94,572
Land and work in progress	10,196,802
Other capital assets, net of depreciation	35,968,426
Total assets	91,348,869
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	529,207
 LIABILITIES	
Accounts payable	4,967,649
Accrued salaries and benefits payable	775,173
Accrued interest payable	659,929
Due to other governmental entities	145,841
Noncurrent liabilities	
Due within one year	4,287,826
Due in more than one year	96,297,130
Total liabilities	107,133,548
 NET POSITION	
Net investment in capital assets	(3,801,625)
Restricted for	
Debt service	197,723
Lateral road	4,356,807
State and federal programs	3,174,961
Unrestricted	(19,183,338)
Total net position	\$ (15,255,472)

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 8,355,607	\$ 339,833	\$ 172,717	\$ (7,843,057)
Roads and bridges	43,925,132	2,664,792	239,851	(37,398,703)
Public safety	1,746,548	73,788	123,169	(1,549,591)
Law enforcement	18,064,007	929,942	2,882,835	(14,251,230)
Judicial	9,357,253	2,089,073	871,945	(6,396,235)
Health and welfare	616,474	225,151	25,646	(365,677)
Recording	2,300,355	1,140,166	-	(1,160,189)
Tax assessing-collecting	825,197	1,784,372	-	959,175
Interest and other costs	4,209,157	-	-	(4,209,157)
Total primary government	<u>\$ 89,399,730</u>	<u>\$ 9,247,117</u>	<u>\$ 4,316,163</u>	<u>\$ (72,214,664)</u>
General revenue				
Property taxes				38,463,466
Sales and other taxes				7,314,971
Investment earnings				10,458
Other general revenue				106,358
Total general revenues				<u>45,895,253</u>
Change in net position				(26,319,411)
Net position, beginning of year				15,832,086
Prior period adjustment				<u>(4,768,147)</u>
Net position, beginning, restated				<u>11,063,939</u>
Net position, end of year				<u>\$ (15,255,472)</u>

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
BALANCE SHEET –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 367,289	\$ 145,170	\$ 249,945	\$ 17,771	\$ 131,661	\$ 911,836
Investments	12,531,070	4,988,702	8,589,220	610,680	3,370,432	30,090,104
Receivables, net of allowance						
Property taxes	951,780	148,351	-	229,201	-	1,329,332
Intergovernmental	1,452,854	-	-	-	14,954	1,467,808
Other	53,931	9,699	7,590,000	-	12,070	7,665,700
Prepaid expenses and other assets	23,473	-	-	-	1,099	24,572
Total assets	\$ 15,380,397	\$ 5,291,922	\$ 16,429,165	\$ 857,652	\$ 3,530,216	\$ 41,489,352
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,772,670	\$ 757,990	\$ 1,301,351	\$ -	\$ 35,191	\$ 4,867,202
Accrued salaries and benefits payable	559,096	134,465	-	-	81,612	775,173
Due to other governmental entities	63,440	-	-	-	82,401	145,841
Total liabilities	3,395,206	892,455	1,301,351	-	199,204	5,788,216
Deferred inflows of resources						
Property taxes	893,790	128,250	-	215,373	-	1,237,413
Total deferred inflows of resources	893,790	128,250	-	215,373	-	1,237,413
Fund balances						
Nonspendable						
Inventory	16,983	-	-	-	-	16,983
Prepaid	6,490	-	-	-	1,099	7,589
Long term receivable	-	-	7,590,000	-	-	7,590,000
Restricted for						
Debt service	-	-	-	642,279	-	642,279
Capital projects	-	-	7,537,814	-	-	7,537,814
Lateral road	-	4,271,217	-	-	-	4,271,217
Federal and state programs	-	-	-	-	3,176,281	3,176,281
Assigned to state and special programs	-	-	-	-	155,917	155,917
Unassigned	11,067,928	-	-	-	(2,285)	11,065,643
Total fund balances	11,091,401	4,271,217	15,127,814	642,279	3,331,012	34,463,723
Total liabilities, deferred inflows of resources and fund balances	\$ 15,380,397	\$ 5,291,922	\$ 16,429,165	\$ 857,652	\$ 3,530,216	\$ 41,489,352

The Notes to Financial Statements are
an integral part of this statement.

**PARKER COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances -- governmental funds	\$ 34,463,723
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	46,165,228
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(659,929)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	1,237,413
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(100,584,956)
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.	529,207
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position.	<u>3,593,842</u>
Total net position--governmental activities	<u><u>\$ (15,255,472)</u></u>

PARKER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 24,547,319	\$ 7,902,238	\$ -	\$ 5,967,956	\$ -	\$ 38,417,513
Sales taxes	7,220,510	-	-	-	-	7,220,510
Intergovernmental	3,431,594	224,313	3,621,786	-	839,202	8,116,895
Fees of office	4,994,184	1,965,063	-	-	1,125,090	8,084,337
Fines and forfeitures	-	418,255	-	-	-	418,255
Interest	8,254	1,439	-	527	238	10,458
Royalties	64,313	-	-	-	-	64,313
Miscellaneous	455,126	60,298	114,099	-	72,562	702,085
Total revenues	40,721,300	10,571,606	3,735,885	5,968,483	2,037,092	63,034,366
EXPENDITURES						
Current						
General government	6,692,291	-	120,349	-	274,245	7,086,885
Roads and bridges	-	9,813,745	-	-	-	9,813,745
Public safety	1,364,766	-	-	-	124,817	1,489,583
Law enforcement	17,968,872	-	-	-	80,538	18,049,410
Judicial	8,597,652	-	-	-	933,447	9,531,099
Health and welfare	612,478	-	-	-	-	612,478
Recording	2,178,125	-	-	-	171,935	2,350,060
Tax assessing-collecting	825,197	-	-	-	-	825,197
Capital outlay	1,321,058	420,905	9,952,757	-	-	11,694,720
Debt service						
Principal	517,167	105,541	-	1,542,414	26,629	2,191,751
Interest and other charges	106,077	13,989	-	4,780,001	1,524	4,901,591
Bond issuance costs	-	-	-	208,227	-	208,227
Total expenditures	40,183,683	10,354,180	10,073,106	6,530,642	1,613,135	68,754,746
Excess (deficiency) of revenues over (under) expenditures	537,617	217,426	(6,337,221)	(562,159)	423,957	(5,720,380)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	480,000	-	-	27,920	507,920
Operating transfers out	(507,920)	-	-	-	-	(507,920)
Sale of assets	33,278	63,199	-	-	-	96,477
Bond proceeds	-	-	-	12,645,000	-	12,645,000
Payment to escrow	-	-	-	(12,693,008)	-	(12,693,008)
Total other financing sources (uses)	(474,642)	543,199	-	(48,008)	27,920	48,469
NET CHANGES IN FUND BALANCES	62,975	760,625	(6,337,221)	(610,167)	451,877	(5,671,911)
FUND BALANCES, beginning of year, as originally reported	11,028,426	3,510,592	17,496,821	1,252,446	2,879,135	36,167,420
Prior period adjustment	-	-	3,968,214	-	-	3,968,214
FUND BALANCES, beginning of year, as restated	11,028,426	3,510,592	21,465,035	1,252,446	2,879,135	40,135,634
FUND BALANCES, end of year	\$ 11,091,401	\$ 4,271,217	\$ 15,127,814	\$ 642,279	\$ 3,331,012	\$ 34,463,723

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ (5,671,911)

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	11,314,294	
Depreciation		<u>(3,517,988)</u>	
Net capital outlay			7,796,306

The net effect of capital assets disposals and conveyance of assets, decreases net position. (32,564,241)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 45,953

The refunding of long-term debt provides current financial resources to governmental funds while increasing long-term liabilities in the statement of net position. (12,645,000)

Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. 12,693,008

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,191,758

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities are:

Amortization of deferred loss on refunding		(58,801)	
Amortization of premium from bond issuance		194,803	
Increase in accrued interest payable		134,652	
Accretion of capital appreciation bonds		630,000	
Decrease in compensated absences		<u>(51,585)</u>	
Net increase in expenditures			849,069

Internal service funds are used by the County to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities. 985,647

Change in net position of governmental activities - statement of activities \$ (26,319,411)

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF NET POSITION –
PROPRIETARY FUND
SEPTEMBER 30, 2014**

	Insurance Escrow
ASSETS	
Cash	\$ 3,452,970
Investments	171,319
Prepaid expenses and other assets	70,000
Total assets	3,694,289
LIABILITIES	
Accounts payable	75,168
Accrued salaries and benefits payable	25,279
Total liabilities	100,447
NET POSITION	
Unrestricted	3,593,842
TOTAL NET POSITION	\$ 3,593,842

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Insurance Escrow
OPERATING REVENUES	
Contributions	\$ 7,191,079
Total operating revenues	7,191,079
OPERATING EXPENSES	
Contractual	6,374,463
Total operating expenses	6,374,463
Operating income	816,616
NONOPERATING REVENUES	
Miscellaneous	169,031
Total nonoperating revenues	169,031
Change in net position	985,647
NET POSITION, beginning of year	2,608,195
NET POSITION, end of year	\$ 3,593,842

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Insurance Escrow
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 7,121,373
Payments to providers	(6,287,334)
Net cash provided by operating activities	834,039
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(170,305)
Miscellaneous receipts	169,031
Net cash used in investing activities	(1,274)
NET INCREASE IN CASH	832,765
CASH, beginning of year	2,620,205
CASH, end of year	\$ 3,452,970
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 816,616
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) in accounts receivable	(69,706)
Increase in accounts payable	87,129
Net cash provided by operating activities	\$ 834,039

The Notes to Financial Statements are
an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
SEPTEMBER 30, 2014**

ASSETS

Cash	\$ 6,572,477
Investments	<u>604,540</u>

Total assets	<u><u>\$ 7,177,017</u></u>
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LIABILITIES

Deposits held and due to others	<u>\$ 7,177,017</u>
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Total liabilities	<u><u>\$ 7,177,017</u></u>
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The Notes to Financial Statements are
an integral part of this statement.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parker County, Texas (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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. The County performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The accompanying financial statements of the County present the financial position of the governmental activities and the respective changes in financial position. The County is not included in any other governmental reporting entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit. A component unit is an entity for which the County is considered to be financially accountable.

Historical Commission - The County created the entity to account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society. The governing body is made up of members appointed by the Commissioner's Court. Upon dissolution of the Society, the assets of the Society shall be distributed to Parker County. The Society provides all of its services to Parker County, Texas. The Historical Commission is a blended component unit because, although legally separate, it is in substance part of the County's operations. As such, the Historical Commission has been included in the accompanying financial statements.

The County is a general purpose government providing the following services to its citizens: public safety, health and welfare, public transportation through roads and bridges, law enforcement, judicial, recording, tax assessing-collecting, and general and financial administrative services.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the governmental, non-fiduciary, activities of the County. The effect of interfund transfers has been removed from the government-wide statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements – Continued

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The General Fund, the Lateral Road Fund, the Capital Projects Tax Road Bonds Fund, and the Debt Service Fund meet criteria as major governmental funds. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining Statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proprietary fund financial statements present the Internal Service Fund using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized at the time the liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Fund Financial Statements – Continued

Fiduciary fund level financial statements include agency funds and use the economic resources measurement focus and the accrual basis of accounting. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds are custodial in nature therefore fund resources are recorded as assets and liabilities and do not include revenue, expenditures or fund equity.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Lateral Road Fund is a special revenue fund used to account for the maintenance and construction of County roads and bridges. Financing is provided primarily by an annual property tax levy. Additional revenue is provided by a charge on each auto registration and from fines levied by the County.

Capital Projects Tax Road Bonds Fund is used to account for the proceeds of the Unlimited Tax Road Bonds - Series 2009 and Series 2013 which were obtained for constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements, and payment of costs of issuance related to the bonds.

Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are set aside to finance particular functions or activities of the County.

The Internal Service Fund is used to account for the group health insurance benefits provided to the County's departments on a cost reimbursement basis.

Agency Funds are used to account for assets held by the County as an agent for individuals, business, other governments and/or other funds.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budget and Budgetary Accounting

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

- A. In the event the Commissioners Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three percent but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- B. Public hearings are conducted at the Parker County Courthouse and Courthouse Annex to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through adoption of an order by Commissioners Court.
- D. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners Court. There must be an emergency condition existing in order for the Court to increase the total budget.

Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), with the exception of tax revenues being reported on the cash basis. Expenditures in excess of appropriations are required by state statutes to be reported down to the department level. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners Court during the year ended September 30, 2014.

Cash and Investments

The County follows the practice of pooling cash and investments of all funds held by the County Treasurer, except when otherwise requested, in order to facilitate the management of cash. Balances in cash and pooled investments are available on a demand basis to each fund. Investments are reported at fair value.

For purposes of the statement of cash flows, the County considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of inventories accounted for under the first-in first-out method and prepaid expenses reflecting expenditures associated with future accounting periods.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, office furnishings, road maintenance, transportation, firefighting and other equipment, and infrastructure assets (e.g. roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Infrastructure	20 years
Office furniture and equipment	3 - 20 years
Road maintenance equipment	3 - 10 years
Transportation equipment	3 - 5 years
Firefighting equipment	5 years
Emergency management equipment	5 years
Other equipment	5 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Upon new debt issuance, premiums and discounts are deferred and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources, net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no deferred outflows reported in the fund financial statements but has reported deferred outflow related to deferred losses on refunding in the government-wide statements.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources – Continued

In addition to liabilities, the statement of financial position includes 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 and so will not be recognized as an inflow of resources (revenue) until that time. The portion of the County's property tax levy that was not collected until more than 60 days after the end of the current year and therefore not considered available has been reported as a deferred inflow of resources. The County has no deferred inflows reported on the government-wide statements.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance classifications for governmental funds consist of the following:

Nonspendable Fund Balance - includes amounts that are not in spendable form, not expected to be converted into cash within the current period or at all, or legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by law or external resource providers. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of Commissioner's Court, which is the County's highest level of decision-making authority, and, conjunctively, require the same formal action by Commissioner's Court to remove or revise the enacted constraint limitations.

Assigned Fund Balance - includes amounts intended to be used for specific purposes that are neither restricted nor committed. Intent is expressed by the Commissioner's Court of Parker County, but operationally the ability to implement the intent may be delegated to one or more persons. Designees may be listed in the County's fund balance policy or, alternatively, in the County's budgetary policy.

Unassigned Fund Balance - represents the residual classification of all spendable amounts in the General Fund, not contained within the other classifications. The unassigned category is also used to report negative fund balances in all other funds.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balances – Continued

It is the County's goal to achieve and maintain an unassigned General Fund balance of approximately 25% to 50% of budgeted expenditures for the fiscal year, to be used for unanticipated needs and to maintain restricted fund balance of the Debt Service Fund of approximately 25% of the following year's debt service requirements, to be used for debt service. At the end of fiscal year 2014, the unassigned General Fund balance was 27% of budgeted expenditures and the Debt Service Fund balance was at 9% of the following year's debt service requirements.

Where appropriate, the County will use restricted, committed, and assigned fund balances, in that order, prior to using unassigned resources.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets –The component of net position that reports the difference between capital assets less the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding any unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Since some of the County's borrowings are used to finance capital assets that are owned by other governments, the portion of the debt that is not related to county-owned assets must be removed from the above equation. As of September 30, 2014 a total of \$39,704,866 does not relate to county-owned assets. This debt represents a portion of the County's 2009 Unlimited Tax Road Bonds outstanding and is included as a reduction in the County's unrestricted net position.

Restricted net position –Consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position –Represents net position, not restricted for any project or other purpose.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at the end of the fiscal year. Encumbrances outstanding at that time are cancelled and become available for future appropriation.

Deficit Fund Balance and Net Position

The District Attorney State Supplement special revenue fund has a deficit fund balance of \$2,285 at September 30, 2014. This deficit is a result of expenditures exceeding anticipated revenues for the fund. The County plans to transfer assets to this fund in fiscal year 2015 to remediate the deficit.

A deficit unrestricted net position of approximately \$19.3 million exists in governmental activities as of September 30, 2014. This deficit is primarily the result of the County conveying assets to the Texas Department of Transportation and various cities within the County.

New GASB Pronouncements

In August 2012, the GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No 27* (GASB 68) to address new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, it established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations* (GASB 69) which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations, by providing guidance for accounting situations encountered in government environments. This statement is effective for periods beginning after December 15, 2013.

The GASB also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which was effective simultaneously with GASB 68. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New GASB Pronouncements – Continued

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for financial statements for reporting periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the Scope of GASB 68, and amendments to certain provisions of GASB 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB 68. It also amends certain provisions of GASB 67 and GASB 68 for pension plans and pensions that are within their respective scopes. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for financial statements for reporting periods beginning after June 15, 2017.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New GASB Pronouncements – Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement is effective for financial statements for reporting periods beginning after December 15, 2015.

The County's management is reviewing the implementation process of these standards by gathering required information.

NOTE 2. DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the County's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, yield and management of maturities.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the State of Texas or the United States or its instrumentalities;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating firm;
6. Certificates of deposit that are guaranteed or insured by the FDIC or are secured as to principal by obligations described in Section 2256.009(a) of the Public Funds Investment Act or any other manner or amount provided by law for County deposits;

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

7. Fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in Section 2256.009(ax 1) of the Public Funds Investment Act, and are placed through a primary government securities dealer or a bank domiciled in the State of Texas;
8. Banker's acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency;
9. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank;
10. No-load money market mutual funds registered with the Securities and Exchange Commission (SEC) that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share;
11. No-load mutual funds registered with the SEC, invested in obligations approved by the County that have an average weighted maturity of less than two years, continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and conformed to the eligibility of investment pools to receive and invest funds of investing entities; and
12. Eligible investment pools.

As of September 30, 2014, the County had the following investments:

	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Percentage of Total</u>
DWS Scudder - Government Cash Institutional Shares Fund	49 days	AAAm	<u>\$ 30,865,963</u>	<u>100%</u>
Total investments			<u><u>\$ 30,865,963</u></u>	<u><u>100%</u></u>

Interest Rate Risk - The County limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 2 years from the date of purchase. At September 30, 2014, 100% of the County's portfolio had maturity dates less than one year.

Credit Risk - Investments are exposed to credit risk if the security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. As of September 30, 2014, the County's investments in DWS Scudder - Government Cash Institutional Shares Fund are rated by Standard and Poor's (see credit ratings above) and have an average weighted maturity of less than 90 days.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested. As of September 30, 2014, 100% of the County's investments were included in SEC regulated no-load money market mutual funds.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2014, the County's deposits were insured or collateralized with securities held by the County or by its agent in the County's name.

NOTE 3. PROPERTY TAX

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The Parker County Appraisal District assesses and collects property taxes for the County. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal and interest on long-term debt. A practical limitation on taxes levied on debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2014, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$0.347999 per \$100 valuation. The total tax rate for all purposes was \$0.412375 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with allowances being made for delinquent taxes.

NOTE 4. DELINQUENT PROPERTY TAXES

At the governmental fund level, property taxes are recognized as revenue when collected including those collected 60 days after fiscal year end. Delinquent property taxes receivable represent all uncollected property taxes and an account for estimated uncollectible taxes (allowance) is established based on the County's collection history. Deferred inflows of resources are reported in connection with property taxes receivable for revenues that are not considered to be available. The County's taxes on real property are a lien against such property until paid.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. DELINQUENT PROPERTY TAXES – CONTINUED

The following schedule details delinquent property taxes receivable by fund at September 30, 2014:

<u>Fund</u>	<u>Delinquent Taxes</u>	<u>Allowance</u>	<u>Net Receivable</u>
General	\$ 1,448,745	\$ (496,965)	\$ 951,780
Debt Service	353,442	(124,241)	229,201
Lateral Road	303,897	(155,546)	148,351
Total	<u>\$ 2,106,084</u>	<u>\$ (776,752)</u>	<u>\$ 1,329,332</u>

NOTE 5. CHANGES IN CAPITAL ASSETS

During the year ended September 30, 2014, the County completed various capital projects relating to infrastructure, roads and bridges, and right of way. Of the projects completed, the County conveyed \$32,471,989 to the Texas Department of Transportation or various cities within the County. The conveyance of these assets have been reflected as deletions in the table on the following page.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning 10/1/13 as restated (Note 13)	Reclass/ Additions	Reclass/ Deletions	Balance 9/30/14
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,094,183	\$ 2,898,876	\$ 4,665,941	\$ 2,327,118
Work in progress	19,085,076	11,830,727	23,046,119	7,869,684
Total capital assets not being depreciated	23,179,259	14,729,603	27,712,060	10,196,802
Depreciable capital assets				
Buildings and improvements	35,013,381	379,816	-	35,393,197
Infrastructure	129,347,305	1,370,362	11,053,164	119,664,503
Office furniture and equipment	9,878,414	82,240	-	9,960,654
Transportation equipment	4,675,878	578,243	431,650	4,822,471
Road maintenance equipment	14,045,991	375,234	136,556	14,284,669
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	671,324	-	-	671,324
Other	54,328	6,789	-	61,117
Total depreciable capital assets	196,512,117	2,792,684	11,621,370	187,683,431
Less accumulated depreciation for				
Buildings and improvements	10,258,813	1,513,756	-	11,772,569
Infrastructure	112,960,943	816,974	-	113,777,917
Office furniture and equipment	7,587,641	128,242	-	7,715,883
Transportation equipment	3,908,057	374,748	428,871	3,853,934
Road maintenance equipment	10,739,149	563,479	132,325	11,170,303
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	426,909	119,630	-	546,539
Other	51,205	1,159	-	52,364
Total accumulated depreciation	148,758,213	3,517,988	561,196	151,715,005
Depreciable capital assets, net	47,753,904	(725,304)	11,060,174	35,968,426
Governmental activities capital assets, net	<u>\$ 70,933,163</u>	<u>\$ 14,004,299</u>	<u>\$ 38,772,234</u>	<u>\$ 46,165,228</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. CHANGES IN CAPITAL ASSETS

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

Governmental activities		
General government	\$	1,380,836
Roads and bridges		1,441,298
Public safety		276,167
Law enforcement		310,688
Judicial		69,042
Health and welfare		17,260
Recording		<u>22,697</u>
Total depreciation for governmental activities	\$	<u><u>3,517,988</u></u>

NOTE 6. INTERFUND BALANCES AND TRANSFERS

The following is a schedule of interfund transfers during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Lateral Road	\$ 480,000	Repayment of funds
General fund	Nonmajor fund	<u>27,920</u>	Reclassification of funds
Total transfers		<u><u>\$ 507,920</u></u>	

NOTE 7. COMPENSATORY PAY

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation and compensatory pay is paid upon termination if the employee gives two weeks' notice or is terminated by the County. The liability for accrued vacation and compensatory pay is included below with general long-term debt. At September 30, 2014 the value of accumulated vacation and compensatory benefits amounted to \$900,967. The General Fund has been used to liquidate the liability.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES

Unlimited Tax Road Bonds

The County issued \$59,999,975 in unlimited tax road bonds in April of 2009 for the purpose of constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. Principal payments are due in annual installments on February 15. The bonds are scheduled to mature in February of 2034. Interest is payable February 15 and August 15, at interest rates ranging from 2.88% to 5.25%. The outstanding balance at September 30, 2014 was \$58,981,138.

The County issued \$18,965,000 in unlimited tax road bonds in December of 2012 for the purpose of constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. Principal payments are due in annual installments on February 15. The bonds are scheduled to mature in February of 2038. Interest is payable February 15 and August 15, at interest rates ranging from 2.0% to 4.0%. The outstanding balance at September 30, 2014 was \$18,840,000.

General Obligation Refunding Bonds

The County issued \$3,430,000 in refunding bonds in June of 2005 for the purpose of partial refunding of the 2002 and 2004 Tax Notes. Principal payments are due in annual installments on February 15. The bonds are scheduled to mature in February of 2025. Interest is payable February 15 and August 15, at interest rates ranging from 3.10% to 4.50%. The outstanding balance at September 30, 2014 was \$2,520,000.

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

Certificates of Obligation

The County issued \$14,580,000 in certificates of obligation in June 2005 for the purpose of jail construction and improvement, with any excess funds to be used for the construction or acquisition and equipment of other County-owned buildings needed for the County's use. The certificates, with original maturities between 2015 and 2025 and interest rates between 3.3% and 5%, were refunded in May 2014, at which time General Obligation Refunding Bonds, Series 2014 were issued. Series 2014 were issued in the amount of \$12,645,000 with interest rates between 0.393% and 3.469%. The outstanding balance on the Series 2014 bonds at September 30, 2014 was \$12,645,000.

The refunding was undertaken to reduce the County's total debt service payments over the next 20 years by \$1,025,943 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$881,717.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Certificates of Obligation – Continued

Debt service requirements for the outstanding tax notes, bonds, and certificates of obligation are as follows:

Year	Principal	Interest	Total
2015	\$ 1,742,463	\$ 4,942,314	\$ 6,684,777
2016	1,758,675	5,002,603	6,761,278
2017	2,940,000	3,891,322	6,831,322
2018	3,095,000	3,803,915	6,898,915
2019	3,260,000	3,706,539	6,966,539
2020-2024	19,180,000	16,517,639	35,697,639
2025-2029	24,640,000	11,673,147	36,313,147
2030-2034	31,545,000	4,841,338	36,386,338
2035-2038	4,825,000	319,881	5,144,881
	<u>\$ 92,986,138</u>	<u>\$ 54,698,698</u>	<u>\$ 147,684,836</u>

A summary of changes in governmental activities long-term debt follows:

	October 1, 2013	Additions	Retirements	September 30, 2014	Due Within One Year
General Obligation Refunding Bonds, Series 2005	\$ 2,695,000	\$ -	\$ 175,000	\$ 2,520,000	\$ 185,000
General Obligation Refunding Bonds, Series 2014	-	12,645,000	-	12,645,000	1,055,000
Certificates of obligation	12,925,000	-	12,925,000	-	-
Unlimited Tax Road Bonds 2009	59,403,552	-	422,414	58,981,138	372,463
Unlimited Tax Road Bonds 2013	18,965,000	-	125,000	18,840,000	130,000
Plus deferred premiums on issuance	3,267,292	-	194,803	3,072,489	194,803
Plus accumulated accretion	2,575,257	-	630,000	1,945,257	984,320
Capital lease payable	2,329,449	-	649,344	1,680,105	671,240
Compensated absences	849,382	804,667	753,082	900,967	695,000
Totals	<u>\$ 103,009,932</u>	<u>\$ 13,449,667</u>	<u>\$ 15,874,643</u>	<u>\$ 100,584,956</u>	<u>\$ 4,287,826</u>

Capital Leases Payable

Precinct 1

The County entered into a capital lease agreement in December 2009 in the amount of \$240,920. The lease balance is payable in five successive annual payments and a final payment of \$1, bearing interest at the rate of 6.07% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01). The balance at September 30, 2014 was \$53,676 due within one year.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Capital Leases Payable – Continued

Precinct 1 – Continued

The County entered into a capital lease agreement in April 2010 in the amount of \$265,000. The lease balance is payable in five successive annual payments of \$62,610 each and a final payment of \$1, bearing interest at the rate of 6.79% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01). The balance at September 30, 2014 was \$58,642 due within one year.

Emergency Management

The County entered into a capital lease agreement in February 2007 in the amount of \$3,787,122. The lease balance is payable in nine successive annual payments and a final payment of \$468,153 in fiscal year 2017 bearing interest at the rate of 4.17% per annum. The capital lease proceeds were used to purchase County-wide communications equipment for emergency services. The balance at September 30, 2014 was \$1,318,648.

Sheriff Administration

The County entered into a capital lease agreement in October 2009 in the amount of \$411,915. The lease balance is payable in nine successive annual payments of \$51,619, bearing interest at the rate of 4.57% per annum, maturity in fiscal year 2017. The capital lease proceeds were used to purchase County-wide CAD mapping software and equipment. The balance at September 30, 2014 was \$154,858.

Courthouse Security

The County entered into a capital lease agreement in September 2011 in the amount of \$79,190. The lease balance is payable in three successive annual payments of \$28,154, bearing interest at the rate of 5.72% per annum. The capital lease proceeds were used to purchase County-wide alarms and security systems. The balance at September 30, 2014 was fully repaid.

Law Enforcement

The County entered into a capital lease agreement in March 2012 in the amount of \$276,801. The lease balance is payable in three successive annual payments, bearing interest at the rate of 3.27% per annum. The capital lease proceeds were used to purchase vehicles to be used by law enforcement. The balance at September 30, 2014 was \$94,281 due within one year.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Capital Leases Payable – Continued

The following analysis of equipment leased under capital leases as of September 30, 2014:

	Governmental Activities
Equipment	\$ 5,038,131
Less accumulated depreciation	(2,889,437)
Total	\$ 2,148,694

Future minimum lease payments for the above capital leases are as follows:

Scheduled minimum lease payments	\$ 1,814,511
Amount representing interest	(134,406)
Present value of future minimum capital lease payments (principal payoff)	\$ 1,680,105

The following is the future annual requirements for the capital leases:

Year	Principal	Interest	Total
2015	\$ 671,240	\$ 71,505	\$ 742,745
2016	484,209	41,645	525,854
2017	524,656	21,256	545,912
Total	\$ 1,680,105	\$ 134,406	\$ 1,814,511

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. RETIREMENT PLAN

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 (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. This report is also available at www.tcdrs.org.

The plan provisions are adopted by the Commissioners Court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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 Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions 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 County contributed using the actuarially determined rate of 10.55% for the months of the accounting year in 2013, and 10.99% for the months of the accounting year in 2014.

The contribution rate payable by the employee members for calendar years 2013 and 2014 is the rate of 7.00%, adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. RETIREMENT PLAN – CONTINUED

Annual Pension Cost

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3 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, 2013 was 20 years.

Funded Status and Funding Progress

The net pension obligation is calculated as follows:

Annual required contribution (ARC)	\$ 2,267,130
Interest on net pension obligation	-
Adjustment to ARC	-
Annual pension cost (expense)	2,267,130
Net employer contributions	(2,267,130)
Increase in net pension obligation	-
Net pension obligation, beginning of the year	-
	-
Net pension obligation, end of the year	\$ -

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/2011	\$ 45,430,966	\$ 54,603,913	\$ 9,172,947	83.20%	\$ 19,629,775	46.73%
12/31/2012	49,298,274	59,542,334	10,244,060	82.80%	19,483,984	52.58%
12/31/2013	53,796,345	63,808,998	10,012,653	84.31%	20,234,526	49.48%

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. RETIREMENT PLAN – CONTINUED

Funded Status and Funding Progress – Continued

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2012 and December 31, 2013, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2013, actuarial valuation is the most recent valuation.

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years			
Asset valuation method	20	20	20
Subdivision Accumulation Fund	10-year smoothed value	10-year smoothed value	5-year smoothed value
Employees Saving Fund			
Assumptions			
Investment return*	8.00%	8.00%	8.00%
Projection salary increases*	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost of living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

Trend Information for the past three years is as follows:

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	\$ 1,969,802	100%	\$ -
9/30/2013	2,009,878	100%	-
9/30/2014	2,267,130	100%	-

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS.) This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS's Comprehensive Annual Financial Report may also be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2014, 2013, and 2012 were \$76,560, \$66,465 and \$67,439, respectively, which equaled the contractually required contributions each year.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The County participates in several programs that are subject to audit by various State and Federal Agencies. These programs have complex compliance requirements. Should State or Federal auditors discover areas of material noncompliance, those County funds may be subject to refund if so determined by administrative audit review.

The County is a defendant in various lawsuits. Although the outcome of the litigation is not presently determinable, it is the opinion of the County's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County has entered into various construction commitments. Such contracts include contracts for improvements to roads and bridges within the County. Several of these contracts were in progress but not completed as of September 30, 2014. The total contractual commitments outstanding as of September 30, 2014 amounted to \$3,979,061. The County has sufficient funds available to cover these commitments.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of; damage to and destruction of assets; errors and omissions; and natural disasters. To reduce its risk of exposure in these areas, the County is a member of the Texas Association of Counties Risk Pool for liability, property, and workers' compensation. The pool is a public entity risk pool and was created based on the general objectives of formulating, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverages. The pool coverage is offered through interlocal agreements between the Pool and counties. The pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties which are members of the pool. Member counties make contributions to the pool based on fixed premiums, and the pool provides insurance coverage and applicable reinsurance or stop loss coverage to prevent extraordinary or catastrophic losses.

The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the pool are detailed in a separate document which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

There have been no significant reductions in coverage from the coverage in the past fiscal year, and there have been no settlements exceeding insurance coverage in the current or past three fiscal years.

NOTE 13. PRIOR PERIOD ADJUSTMENTS

Capital Assets

Subsequent to the issuance of the County's September 30, 2013 financial statements, errors were identified related to capital assets. The County conveyed assets in the amount of \$7,232,880 prior to September 30, 2013, to various cities but did not reduce its land, work in progress and infrastructure accounts accordingly. Additionally, assets with a net book value of \$1,503,481 were recorded twice in the County's fixed asset ledger. Both errors resulted in an overstatement of the County's capital assets. The effect of the correction in the accompanying government wide financial statements is a decrease in beginning net position and a decrease in net capital assets in the amount of \$8,736,361.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13. PRIOR PERIOD ADJUSTMENTS – CONTINUED

Grant Revenue

Subsequent to the issuance of the County's September 30, 2013 financial statements, an error was identified related to the recognition of a grant from the Texas Department of Transportation. A receivable and the related revenue should have been recorded at the time the project costs were incurred. As a result, receivables and beginning fund balance in the Capital Projects Tax Road Bonds Fund have been increased by \$3,968,214 in the accompanying governmental funds statements which have also flowed through to the government wide financial statements as an increase to receivables and beginning net position in the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 24,569,008	\$ 24,569,008	\$ 24,547,319	\$ (21,689)
Sales taxes	6,400,000	6,400,000	7,220,510	820,510
Intergovernmental	2,311,562	2,311,562	3,431,594	1,120,032
Fees of office	5,147,250	5,147,250	4,994,184	(153,066)
Interest	-	-	8,254	8,254
Royalties	1,000	1,000	64,313	63,313
Miscellaneous	326,610	326,610	455,126	128,516
Total revenues	38,755,430	38,755,430	40,721,300	1,965,870
EXPENDITURES				
General government				
Commissioners' court	406,105	406,105	137,978	268,127
County judge	353,880	353,880	350,067	3,813
Veterans' service officer	64,935	64,935	64,832	103
Non-departmental	2,093,604	2,093,604	1,960,474	133,130
Employee benefits	149,692	149,692	152,995	(3,303)
Election expenses	501,008	501,008	473,891	27,117
County auditor	504,618	504,618	496,101	8,517
County treasurer	293,294	293,294	294,185	(891)
Building and grounds	1,422,826	1,422,826	1,343,976	78,850
Purchasing administration	299,850	299,850	297,311	2,539
Information technology	797,338	797,338	637,632	159,706
Social services	208,940	208,940	208,075	865
County extension services	302,585	302,585	274,774	27,811
Total general government	7,398,675	7,398,675	6,692,291	706,384
Public safety				
Emergency management	342,405	342,405	340,727	1,678
Fire protection	1,210,983	1,210,983	1,024,039	186,944
Total public safety	1,553,388	1,553,388	1,364,766	188,622
Law enforcement				
Jail	6,742,015	6,742,015	7,685,724	(943,709)
Constable #1	172,491	172,491	173,792	(1,301)
Constable #2	192,535	192,535	188,269	4,266
Constable #3	161,954	161,954	159,809	2,145
Constable #4	206,239	206,239	206,394	(155)
Sheriff administration	8,211,012	8,211,012	8,339,224	(128,212)
Sheriff investigation	120,992	120,992	102,304	18,688
Sheriff dispatching	26,100	26,100	16,280	9,820
Sheriff patrol	528,361	528,361	382,968	145,393
Training division	45,446	45,446	38,531	6,915
Jail transfer	108,942	108,942	108,470	472
Narcotics task force	106,730	106,730	80,932	25,798
Game warden	647	647	1,246	(599)
Animal control	481,514	481,514	378,847	102,667
Courthouse security	1,300	1,300	745	555
Highway patrol (North)	47,922	47,922	48,049	(127)
Highway patrol (South)	59,396	59,396	57,288	2,108
Total law enforcement	17,213,596	17,213,596	17,968,872	(755,276)

**PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
District court 43rd	823,863	823,863	751,653	72,210
District court 415th	903,701	903,701	776,213	127,488
County court-at-law #1	673,503	673,503	738,906	(65,403)
County court-at-law #2	662,939	662,939	748,113	(85,174)
Justice of the peace #1	376,161	376,161	345,794	30,367
Justice of the peace #2	382,530	382,530	373,205	9,325
Justice of the peace #3	407,268	407,268	414,455	(7,187)
Justice of the peace #4	445,425	445,425	438,709	6,716
County attorney	1,930,062	1,930,062	1,910,911	19,151
District attorney	1,426,437	1,426,437	1,372,322	54,115
Adult probation	10,000	10,000	7,036	2,964
Probate	95,484	95,484	78,343	17,141
Juvenile probation	741,454	741,454	641,992	99,462
Total judicial	8,878,827	8,878,827	8,597,652	281,175
Health and welfare				
Medical examiner-investigator	258,643	258,643	261,815	(3,172)
911 addressing	54,906	54,906	54,159	747
Sanitations	305,252	305,252	296,504	8,748
Total health and welfare	618,801	618,801	612,478	6,323
Recording				
County clerk	494,409	494,409	497,496	(3,087)
County clerk court division	804,328	804,328	791,698	12,630
District clerk	897,606	897,606	888,931	8,675
Total recording	2,196,343	2,196,343	2,178,125	18,218
Tax assessing-collecting	823,511	823,511	825,197	1,686
Total tax assessing-collecting	823,511	823,511	825,197	(1,686)
Capital outlay	1,620,944	1,620,944	1,321,058	299,886
Total capital outlay	1,620,944	1,620,944	1,321,058	299,886
Debt service				
Principal	517,255	517,255	517,167	88
Interest	105,991	105,991	106,077	(86)
Total debt service	623,246	623,246	623,244	2
Total expenditures	40,927,331	40,927,331	40,183,683	743,648
Excess (deficiency) of revenues over (under) expenditures	(2,171,901)	(2,171,901)	537,617	2,709,518
OTHER FINANCING SOURCES (USES)				
Operating transfers in	350,000	350,000	-	(350,000)
Operating transfers out	(480,000)	(480,000)	(507,920)	(27,920)
Proceeds from capital lease	45,000	45,000	-	(45,000)
Sale of assets	5,000	5,000	33,278	28,278
Total other financing sources	(80,000)	(80,000)	(474,642)	(394,642)
Net changes in fund balances	(2,251,901)	(2,251,901)	62,975	2,314,876
FUND BALANCES, October 1	11,028,426	11,028,426	11,028,426	-
FUND BALANCES, September 30	\$ 8,776,525	\$ 8,776,525	\$ 11,091,401	\$ 2,314,876

**PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LATERAL ROAD FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 7,960,870	\$ 7,960,870	\$ 7,902,238	\$ (58,632)
Intergovernmental	174,955	174,955	224,313	49,358
Fees of office	1,755,050	1,755,050	1,965,063	210,013
Fines and forfeitures	336,396	336,396	418,255	81,859
Interest	1,100	1,100	1,439	339
Miscellaneous	66,000	66,000	60,298	(5,702)
Total revenues	10,294,371	10,294,371	10,571,606	277,235
EXPENDITURES				
Roads and bridges				
General	39,396	39,396	30,234	9,162
Precinct 1	2,599,770	2,599,770	2,204,647	395,123
Precinct 2	2,749,821	2,749,821	2,358,012	391,809
Precinct 3	2,949,756	2,949,756	2,637,736	312,020
Precinct 4	2,643,623	2,643,623	2,583,116	60,507
Total roads and bridges	10,982,366	10,982,366	9,813,745	1,168,621
Capital outlay				
Precinct 2	156,000	156,000	140,867	15,133
Precinct 3	45,533	45,533	45,533	-
Precinct 4	234,607	234,607	234,505	102
Total capital outlay	436,140	436,140	420,905	15,235
Debt service				
Precinct 1	119,531	119,531	119,530	1
Precinct 2	2,110	2,110	-	2,110
Precinct 3	-	-	-	-
Precinct 4	-	-	-	-
Total debt service	121,641	121,641	119,530	2,111
Total expenditures	11,540,147	11,540,147	10,354,180	1,185,967
Excess (deficiency) of revenues over (under) expenditures	(1,245,776)	(1,245,776)	217,426	1,463,202
OTHER FINANCING SOURCES (USES)				
Transfer in	480,000	480,000	480,000	-
Sale of assets	191,321	191,321	63,199	(128,122)
Total other financing sources (uses)	671,321	671,321	543,199	(128,122)
NET CHANGE IN FUND BALANCES	(574,455)	(574,455)	760,625	1,335,080
FUND BALANCES, beginning of year	3,510,592	3,510,592	3,510,592	-
FUND BALANCES, end of year	\$ 2,936,137	\$ 2,936,137	\$ 4,271,217	\$ 1,335,080

SUPPLEMENTARY INFORMATION

Nonmajor funds – Special Revenue Funds

Historical Commission Fund - To account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society, a blended component unit of Parker County, Texas.

Estray Fund - To account for the proceeds and expenses associated with the capture and sale of stray livestock.

Abandoned Vehicle Fund - To account for the proceeds and expenses associated with abandoned vehicles sold at public auction.

Courthouse Security Fund - To account for proceeds and expenses associated with courthouse security measures.

Voter Registration Fund - Monies received by the County Clerk for registering new voters and keeping voter registration lists up to date.

Sheriff's Forfeiture Federal Share Fund - Monies received through federal forfeitures held for use by the Sheriff in drug enforcement activities.

Contract Elections Fund - Monies received and disbursed in conducting elections.

Pre-Trial Intervention Fund - To account for revenues and expenses associated with pre-trial intervention.

Sheriff's Forfeiture and Evidence Funds - Monies not returned to the defendant held for use by the Sheriff in drug enforcement activities.

Law Enforcement Officers Standards and Education (LEOSE) Fund - These funds are allocated by the Legislature to be used for continuing education of Law Enforcement Officers.

District Attorney State Supplement Fund - To account for revenues from the State and expenses associated with the District Attorney's office salary supplements and part time employees.

Special District Attorney Fund - To account for the collection of fees from felony hot checks (over \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

Special County Attorney Fund - To account for the collection of fees from misdemeanor hot checks (under \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

District Attorney Awarded Fund - To account for the proceeds and expenses associated with property seizures in criminal cases under current law.

Justice Technology Fund - To account for revenues and expenses associated with the justice of the peace technology.

Law Library Fund - The County and District Clerks collect fees which are used for publications and maintenance of the law library located on the second floor of the main courthouse.

Nonmajor funds – Special Revenue Funds (Continued)

Road and Bridge Escrow Fund - To account for funds held for road maintenance bonds.

Juvenile Probation Fees and Grant Fund - To account for proceeds collected at a local level and restricted for expenses in association with the social education of juvenile probationers and to account for the grant proceeds and expenses to support basic juvenile probation services and assist the board in adhering to the standards and policies.

Adult Probation Bond Fund - To account for revenues and expenses associated with the supervision bond fees of adult probationers in Parker County.

District Court Records Technology Fund - To account for revenues and expenses associated with the district court records technology.

Justice Court Security Fund - To account for the security protection for all justice of the peace courts.

County/District Technology Fund - To account for revenues and expenses associated with the district and county technology.

County Clerk Records Management Fund - To account for proceeds and expenses associated with record management and preservation by the County Clerk office as required by State Law.

County Clerk Vital Records Fund - To account for fees received and expenses associated with County Clerk employees to attend vital statistic training seminars.

Records Management County Wide Fund - To account for the proceeds and expenses associated with records management and preservation county wide as required by State Law.

District Clerk Records Management Fund - To account for the proceeds and expenses associated with record management and preservation by the District Clerk office as required by State Law.

Court Reporters Service Fund - To account for proceeds and expenses associated with court reporting services.

District Clerk Fund - The County collects fees for ADR services which are then paid out per a Contract that the County has with Dispute Resolution Services of North Texas.

Court Record Preservation Fund - To account for fees and related expenditures to preserve court records.

Documentation Preservation Fund - To account for the County records archive revenues.

Other Grant Funds - To account for grants not accounted for in other funds.

**PARKER COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>				
	<u>Historical Commission</u>	<u>Estray</u>	<u>Abandoned Vehicle</u>	<u>Courthouse Security</u>	<u>Voter Registration</u>
ASSETS					
Cash	\$ 3,368	\$ 487	\$ 746	\$ 1,206	\$ 591
Investments	115,741	16,721	25,626	41,461	20,296
Receivables:					
Intergovernmental	-	-	-	-	5,290
Other	-	-	-	903	-
Prepaid expenses and other assets	-	-	-	-	-
Total assets	<u>\$ 119,109</u>	<u>\$ 17,208</u>	<u>\$ 26,372</u>	<u>\$ 43,570</u>	<u>\$ 26,177</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 239	\$ 150	\$ -	\$ 3,341	\$ 415
Accrued salaries and benefits payable	-	-	-	3,260	-
Due to other governmental entities	-	-	-	-	-
Total liabilities	<u>239</u>	<u>150</u>	<u>-</u>	<u>6,601</u>	<u>415</u>
Fund balances (deficit):					
Nonspendable - prepaid	-	-	-	-	-
Restricted for state and federal programs	-	17,058	26,372	36,969	25,762
Assigned to state and special programs	118,870	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>118,870</u>	<u>17,058</u>	<u>26,372</u>	<u>36,969</u>	<u>25,762</u>
Total liabilities and fund balances	<u>\$ 119,109</u>	<u>\$ 17,208</u>	<u>\$ 26,372</u>	<u>\$ 43,570</u>	<u>\$ 26,177</u>

Special Revenue Funds

Sheriff's Forfeiture Federal Share	Contract Elections	Pre-trial Intervention	Sheriff's Evidence	Sheriff's Forfeiture	LEOSE Education	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded
\$ 19,353	\$ 1,573	\$ 669	\$ 287	\$ 11,814	\$ 281	\$ -	\$ 509	\$ 574	\$ 12,933
216,643	54,038	22,991	9,877	2,768	9,674	-	17,504	19,713	141,257
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	330	-
-	-	-	-	-	-	-	-	-	-
\$ 235,996	\$ 55,611	\$ 23,660	\$ 10,164	\$ 14,582	\$ 9,955	\$ -	\$ 18,013	\$ 20,617	\$ 154,190
\$ 180	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 1,396	\$ -	\$ 793	\$ -
554	-	-	-	-	-	889	-	790	-
-	-	-	-	-	-	-	-	-	-
734	8	-	-	-	-	2,285	-	1,583	-
-	-	-	-	-	-	-	-	-	-
235,262	55,603	23,660	10,164	14,582	9,955	-	-	-	154,190
-	-	-	-	-	-	-	18,013	19,034	-
-	-	-	-	-	-	(2,285)	-	-	-
235,262	55,603	23,660	10,164	14,582	9,955	(2,285)	18,013	19,034	154,190
\$ 235,996	\$ 55,611	\$ 23,660	\$ 10,164	\$ 14,582	\$ 9,955	\$ -	\$ 18,013	\$ 20,617	\$ 154,190

**PARKER COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2014**

	Special Revenue Funds						
	Justice Technology Fund	Law Library	Road and Bridge Escrow	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security
ASSETS							
Cash	\$ 11,647	\$ 6,239	\$ 2,177	\$ -	\$ 1,955	\$ 1,151	\$ 2,795
Investments	400,232	214,406	74,823	156,634	67,175	39,550	96,054
Receivables:							
Intergovernmental	-	-	-	-	-	-	-
Other	216	1,875	-	-	-	944	55
Prepaid expenses and other assets	-	-	-	-	-	-	-
Total assets	\$ 412,095	\$ 222,520	\$ 77,000	\$ 156,634	\$ 69,130	\$ 41,645	\$ 98,904
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,141	\$ 5,098	\$ -	\$ 7,560	\$ 7,467	\$ -	\$ -
Accrued salaries and benefits payable	-	101	-	73,010	-	-	-
Due to other governmental entities	-	-	77,000	-	-	-	-
Total liabilities	3,141	5,199	77,000	80,570	7,467	-	-
Fund balances (deficit):							
Nonspendable - Prepaid	-	-	-	-	-	-	-
Restricted for state and federal programs	408,954	217,321	-	76,064	61,663	41,645	98,904
Assigned to state and special programs	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	408,954	217,321	-	76,064	61,663	41,645	98,904
Total liabilities and fund balances	\$ 412,095	\$ 222,520	\$ 77,000	\$ 156,634	\$ 69,130	\$ 41,645	\$ 98,904

Special Revenue Funds

County/ District Technology Fund	County Clerk Records Management	County Clerk Vital Records	Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ 344	\$ 8,463	\$ 733	\$ 5,151	\$ 2,736	\$ 6,192	\$ 4,996	\$ 2,865	\$ 14,914	\$ 4,912	\$ 131,661
11,814	290,840	25,187	177,010	94,010	212,800	171,690	98,464	512,499	12,934	3,370,432
-	-	-	-	-	-	-	-	-	9,664	14,954
93	1,231	36	1,181	528	1,376	938	989	1,375	-	12,070
-	-	-	-	-	-	-	-	1,099	-	1,099
<u>\$ 12,251</u>	<u>\$ 300,534</u>	<u>\$ 25,956</u>	<u>\$ 183,342</u>	<u>\$ 97,274</u>	<u>\$ 220,368</u>	<u>\$ 177,624</u>	<u>\$ 102,318</u>	<u>\$ 529,887</u>	<u>\$ 27,510</u>	<u>\$ 3,530,216</u>
\$ -	\$ 534	\$ -	\$ 171	\$ 2,886	\$ -	\$ -	\$ -	\$ 534	\$ 1,278	\$ 35,191
-	1,584	-	-	-	-	-	-	1,424	-	81,612
-	-	-	-	-	-	-	-	-	5,401	82,401
-	2,118	-	171	2,886	-	-	-	1,958	6,679	199,204
-	-	-	-	-	-	-	-	1,099	-	1,099
12,251	298,416	25,956	183,171	94,388	220,368	177,624	102,318	526,830	20,831	3,176,281
-	-	-	-	-	-	-	-	-	-	155,917
-	-	-	-	-	-	-	-	-	-	(2,285)
<u>12,251</u>	<u>298,416</u>	<u>25,956</u>	<u>183,171</u>	<u>94,388</u>	<u>220,368</u>	<u>177,624</u>	<u>102,318</u>	<u>527,929</u>	<u>20,831</u>	<u>3,331,012</u>
<u>\$ 12,251</u>	<u>\$ 300,534</u>	<u>\$ 25,956</u>	<u>\$ 183,342</u>	<u>\$ 97,274</u>	<u>\$ 220,368</u>	<u>\$ 177,624</u>	<u>\$ 102,318</u>	<u>\$ 529,887</u>	<u>\$ 27,510</u>	<u>\$ 3,530,216</u>

PARKER COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds					Sheriff's Forfeiture Federal Share
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration	
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 23,726	\$ 77,198
Fees of office	-	-	-	73,539	-	-
Interest	-	-	-	-	-	-
Miscellaneous	15,230	7,963	8,025	-	-	7,000
Total revenues	<u>15,230</u>	<u>7,963</u>	<u>8,025</u>	<u>73,539</u>	<u>23,726</u>	<u>84,198</u>
EXPENDITURES						
Current						
General government	27,871	-	-	-	21,746	-
Public safety	-	-	-	98,509	-	-
Law enforcement	-	2,495	7,901	-	-	68,377
Judicial	-	-	-	-	-	-
Recording	-	-	-	-	-	-
Debt service						
Principal	-	-	-	26,629	-	-
Interest	-	-	-	1,524	-	-
Total expenditures	<u>27,871</u>	<u>2,495</u>	<u>7,901</u>	<u>126,662</u>	<u>21,746</u>	<u>68,377</u>
Excess (deficiency) of revenues						
Net changes in fund balances	<u>(12,641)</u>	<u>5,468</u>	<u>124</u>	<u>(53,123)</u>	<u>1,980</u>	<u>15,821</u>
OTHER FINANCING USES						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total financing other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(12,641)</u>	<u>5,468</u>	<u>124</u>	<u>(53,123)</u>	<u>1,980</u>	<u>15,821</u>
Fund balances (deficit) - beginning of year	<u>131,511</u>	<u>11,590</u>	<u>26,248</u>	<u>90,092</u>	<u>23,782</u>	<u>219,441</u>
Fund balances (deficit) - end of year	<u>\$ 118,870</u>	<u>\$ 17,058</u>	<u>\$ 26,372</u>	<u>\$ 36,969</u>	<u>\$ 25,762</u>	<u>\$ 235,262</u>

Special Revenue Funds

Contract Elections	Pre-trial Intervention	Sheriff's Evidence	Sheriff's Forfeiture	LEOSE Education	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded	Justice Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,500	\$ -	\$ -	\$ -	\$ -
183,201	4,484	-	-	3,766	-	375	6,837	-	38,608
-	-	-	-	-	-	4	9	48	-
-	-	-	19,683	-	-	-	-	14,661	-
183,201	4,484	-	19,683	3,766	22,500	379	6,846	14,709	38,608
137,649	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	241	1,524	-	-	-	-	-
-	-	-	-	408	30,231	-	29,495	23,271	60,073
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
137,649	-	-	241	1,932	30,231	-	29,495	23,271	60,073
45,552	4,484	-	19,442	1,834	(7,731)	379	(22,649)	(8,562)	(21,465)
-	-	10,164	-	8,121	4,119	-	-	-	-
-	-	-	-	-	-	-	-	(4,119)	-
-	-	10,164	-	8,121	4,119	-	-	(4,119)	-
45,552	4,484	10,164	19,442	9,955	(3,612)	379	(22,649)	(12,681)	(21,465)
10,051	19,176	-	(4,860)	-	1,327	17,634	41,683	166,871	430,419
\$ 55,603	\$ 23,660	\$ 10,164	\$ 14,582	\$ 9,955	\$ (2,285)	\$ 18,013	\$ 19,034	\$ 154,190	\$ 408,954

PARKER COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds						County/ District Technology Fund
	Law Library	Road and Bridge Escrow	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security	
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 537,403	\$ -	\$ -	\$ -	\$ -
Fees of office	38,448	-	29,145	116,643	11,347	9,446	4,217
Interest	-	-	-	19	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	38,448	-	566,548	116,662	11,347	9,446	4,217
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Judicial	24,547	-	590,706	112,472	-	190	-
Recording	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	24,547	-	590,706	112,472	-	190	-
Excess (deficiency) of revenues							
Net changes in fund balances	13,901	-	(24,158)	4,190	11,347	9,256	4,217
OTHER FINANCING USES							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	13,901	-	(24,158)	4,190	11,347	9,256	4,217
Fund balances (deficit) - beginning of year	203,420	-	100,222	57,473	30,298	89,648	8,034
Fund balances (deficit) - end of year	\$ 217,321	\$ -	\$ 76,064	\$ 61,663	\$ 41,645	\$ 98,904	\$ 12,251

Special Revenue Funds

County Clerk Records Management	County Clerk Vital Records	Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,375	\$ 839,202
235,345	5,350	39,050	7,713	24,163	19,260	23,501	242,010	8,642	1,125,090
50	-	-	-	-	-	-	108	-	238
-	-	-	-	-	-	-	-	-	72,562
<u>235,395</u>	<u>5,350</u>	<u>39,050</u>	<u>7,713</u>	<u>24,163</u>	<u>19,260</u>	<u>23,501</u>	<u>242,118</u>	<u>187,017</u>	<u>2,037,092</u>
-	-	-	-	-	-	-	-	86,979	274,245
-	-	-	-	-	-	-	-	26,308	124,817
-	-	-	-	-	-	-	-	-	80,538
-	-	-	-	-	-	-	-	62,054	933,447
72,144	2,380	2,830	3,546	-	-	-	91,035	-	171,935
-	-	-	-	-	-	-	-	-	26,629
-	-	-	-	-	-	-	-	-	1,524
<u>72,144</u>	<u>2,380</u>	<u>2,830</u>	<u>3,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,035</u>	<u>175,341</u>	<u>1,613,135</u>
<u>163,251</u>	<u>2,970</u>	<u>36,220</u>	<u>4,167</u>	<u>24,163</u>	<u>19,260</u>	<u>23,501</u>	<u>151,083</u>	<u>11,676</u>	<u>423,957</u>
-	-	-	-	-	-	-	-	9,635	32,039
-	-	-	-	-	-	-	-	-	(4,119)
-	-	-	-	-	-	-	-	9,635	27,920
<u>163,251</u>	<u>2,970</u>	<u>36,220</u>	<u>4,167</u>	<u>24,163</u>	<u>19,260</u>	<u>23,501</u>	<u>151,083</u>	<u>21,311</u>	<u>451,877</u>
<u>135,165</u>	<u>22,986</u>	<u>146,951</u>	<u>90,221</u>	<u>196,205</u>	<u>158,364</u>	<u>78,817</u>	<u>376,846</u>	<u>(480)</u>	<u>2,879,135</u>
<u>\$ 298,416</u>	<u>\$ 25,956</u>	<u>\$ 183,171</u>	<u>\$ 94,388</u>	<u>\$ 220,368</u>	<u>\$ 177,624</u>	<u>\$ 102,318</u>	<u>\$ 527,929</u>	<u>\$ 20,831</u>	<u>\$ 3,331,012</u>

FIDUCIARY FUND

Agency Funds - To account for assets held by the County as an agent for individuals, private organizations, other governmental units or other funds.

Agency Funds

Sheriff's Jail Trust Account - This account is used to temporarily hold cash bonds, fines, and sheriff's sale proceeds.

Auto Registration Account - To account for monies received for registering automobiles in Parker County.

Vehicle Inventory Tax Escrow - To account for monies collected and held in escrow for vehicle inventory tax account.

Vehicle Comptroller Account - To account for monies received from the collection of vehicle sales tax due to the State Comptroller.

County Clerk's Court Fund Account - To account for monies received from individuals or the adult probation department to pay for court fees.

County Attorney's Escrow Account - To account for monies received by the County Attorney's office for NSF checks.

County Clerk's Deposit Account - To account for monies received from court issued bonds.

County Clerk's Registry Account - To account for monies used for condemnation suits and for defendants to reimburse the County Treasurer for court appointed attorneys.

County Clerk's Individual Trust Account - To account for monies in trust for several individuals.

District Court Deposit Account - To account for monies received by the District Clerk for court fees.

District Clerk's Registry Account - To account for monies received by court order in care of an individual. Also cash bonds are accounted for in this account.

District Clerk's Individual Trust Accounts - To account for monies in trust for several individuals.

Sheriff's Office Inmate Trust Account - To account for inmates' monies which were confiscated during arrests and to hold deposits from family members of the inmates.

County Jail Commissary Fund - To account for funds held in the inmates' names for personal purchases.

Adult Probation Funds - To account for funds relating to the adult probation supervision grant and the adult probation CCP grant.

Agency Funds (Continued)

V.I.T. Interest Account - To account for interest earned on the Vehicle Inventory Tax for the T.A.C. to defray the cost of administration of the prepayment procedure.

District Attorney Trust Account - To account for monies in trust for several individuals.

County Clerk's Probate Fund - To account for monies received by court order in care of an individual.

TPWD Funds Account - To account for monies received for the taxation of water vehicles for Texas Parks and Wildlife Department.

Juvenile Probation Restitution Account - To account for monies received by Juvenile Probation for probation fees received prior to distribution to the County.

**PARKER COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
SEPTEMBER 30, 2014**

	Sheriff's Jail Trust Account	Auto Registration Account	Vehicle Inventory Tax Escrow	Vehicle Comptroller Account	County Clerk's Court Fund Account	County Attorney's Escrow Account	County Clerk's Deposit Account
ASSETS							
Cash	\$ 19,978	\$ 306,297	\$ 711,105	\$ 125,533	\$ 53,885	\$ 4,847	\$ 506,147
Investments	-	-	-	-	-	-	-
Total assets	<u>\$ 19,978</u>	<u>\$ 306,297</u>	<u>\$ 711,105</u>	<u>\$ 125,533</u>	<u>\$ 53,885</u>	<u>\$ 4,847</u>	<u>\$ 506,147</u>
LIABILITIES							
Deposits held and due to others	\$ 19,978	\$ 306,297	\$ 711,105	\$ 125,533	\$ 53,885	\$ 4,847	\$ 506,147
Total liabilities	<u>\$ 19,978</u>	<u>\$ 306,297</u>	<u>\$ 711,105</u>	<u>\$ 125,533</u>	<u>\$ 53,885</u>	<u>\$ 4,847</u>	<u>\$ 506,147</u>

**PARKER COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)
SEPTEMBER 30, 2014**

	County Clerk's Registry Account	County Clerk's Individual Trust Account	District Court Deposit Account	District Clerk's Registry Account	District Clerk's Individual Trust Account	Sherriff's Inmate Trust Account	County Jail Commissary Fund
ASSETS							
Cash	\$ 2,179,452	\$ 1,500,994	\$ 120,018	\$ 543,161	\$ 222,412	\$ (6,991)	\$ 25,138
Investments	-	-	-	-	-	-	-
Total assets	<u>\$ 2,179,452</u>	<u>\$ 1,500,994</u>	<u>\$ 120,018</u>	<u>\$ 543,161</u>	<u>\$ 222,412</u>	<u>\$ (6,991)</u>	<u>\$ 25,138</u>
LIABILITIES							
Deposits held and due to others	\$ 2,179,452	\$ 1,500,994	\$ 120,018	\$ 543,161	\$ 222,412	\$ (6,991)	\$ 25,138
Total liabilities	<u>\$ 2,179,452</u>	<u>\$ 1,500,994</u>	<u>\$ 120,018</u>	<u>\$ 543,161</u>	<u>\$ 222,412</u>	<u>\$ (6,991)</u>	<u>\$ 25,138</u>

**PARKER COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUNDS (CONTINUED)
 SEPTEMBER 30, 2014**

	Adult Probation Fund	V.I.T Interest Account	District Attorney Trust Account	County Clerk's Probate Fund	TPWD Funds Account	Juvenile Probation Restitution Account	Total Agency Funds
ASSETS							
Cash	\$ 17,592	\$ 49,780	\$ 182,127	\$ 7,719	\$ 76	\$ 3,207	\$ 6,572,477
Investments	604,540	-	-	-	-	-	604,540
Total assets	<u>\$ 622,132</u>	<u>\$ 49,780</u>	<u>\$ 182,127</u>	<u>\$ 7,719</u>	<u>\$ 76</u>	<u>\$ 3,207</u>	<u>\$ 7,177,017</u>
LIABILITIES							
Deposits held and due to others	<u>\$ 622,132</u>	<u>\$ 49,780</u>	<u>\$ 182,127</u>	<u>\$ 7,719</u>	<u>\$ 76</u>	<u>\$ 3,207</u>	<u>\$ 7,177,017</u>
Total liabilities	<u>\$ 622,132</u>	<u>\$ 49,780</u>	<u>\$ 182,127</u>	<u>\$ 7,719</u>	<u>\$ 76</u>	<u>\$ 3,207</u>	<u>\$ 7,177,017</u>

FEDERAL AWARDS 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*

Honorable Judge and Members of
the Commissioners' Court
Parker 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 Parker County, Texas (the County) as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 23, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-001, described in the accompanying schedule of findings and question costs, to be a material weakness.

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. We consider the deficiency 2014-002 described in the accompanying schedule of findings and question costs, to be significant deficiency.

Parker County, Texas

Page 2

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.

Parker County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas

October 23, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Honorable Judge and Members of
the Commissioners' Court
Parker County, Texas

Report on Compliance for Each Major Federal Program

We have audited Parker County, Texas' (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have direct and material effect on the County's major federal program for the year ended September 30, 2014. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Parker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Parker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of Parker County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Parker County's internal control over

compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Parker County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
October 23, 2015

**PARKER COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Programs			
State Criminal Alien Assistance Program	16.606	N/A	\$ 20,384
Equitable Sharing Program	16.922	N/A	<u>77,198</u>
Total U.S. Department of Justice			<u>97,582</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Texas Department of Transportation Highway Planning and Construction	20.205	2011-004-01	<u>3,621,786</u>
Total U.S. Department of Transportation			<u>3,621,786</u>
<u>U.S. GENERAL SERVICES ADMINISTRATION</u>			
Passed Through Texas Facilities Commission Donation of Federal Surplus Personal Property	39.003	N/A	<u>750</u>
Total U.S. General Services Administration			<u>750</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of State Health Services Cities Readiness Grant	93.069	N/A	<u>38,265</u>
Total U.S. Department of Health and Human Services			<u>38,265</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Department of Public Safety Homeland Security Grant Program (HSGP) State Homeland Security Grant (SHSP)	97.067	N/A	<u>10,427</u>
Total U.S. Department of Homeland Security			<u>10,427</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,768,810</u></u>

PARKER COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Parker County, Texas under programs of the federal government for the fiscal year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Parker County, it is not intended to and does not present the financial position or changes in net position of Parker County, Texas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Circular A-133? Yes X No

Identification of major programs:

CFDA Number:

20.205 – Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? Yes X No

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001

Material Weakness – Capital Assets

Criteria:

In accordance with *Governmental Auditing Standards*, governments are required to report all capital assets, including accumulated depreciation, on the government wide statement of net position with the related gains, losses and depreciation expense recognized on the government wide statement of activities.

Context:

During the year ended September 30, 2014, the County did not maintain an accurate listing of beginning capital assets and did not have an effective method by which to track additions, disposals and conveyance of assets to other entities. Further, the County does not have a process or controls in place to monitor or review the listing throughout the year.

Effect:

As a result of lack of controls and an accurate and effective method to track capital assets, two prior period adjustments were recorded to reduce beginning capital assets by \$8,736,361. Additionally, several modifications were made to the listing to accurately reflect current year activity.

Recommendation:

We recommend that the County implement processes to track capital assets and maintain supporting documentation as well as controls to review and monitor the process throughout the year.

Management's Response:

See Corrective Action Plan

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

Finding 2014-002

Significant Deficiency – Bank Reconciliations

Criteria:

Bank reconciliation should be completed timely for all cash accounts maintained by the County.

Context:

Bank reconciliations for cash accounts maintained by the County for the month ended September 30, 2014 were not completed until May 2015.

Effect:

Lack of timely reconciliation could result in material misstatement of the County's cash balance. Lack of reconciliation could also result in management's inability to detect fraudulent cash transactions.

Recommendation:

We recommend that the County implement processes to perform and review all bank reconciliations within a more timely manner, typically within 30 days of receipt of the bank statement.

Management's Response:

See Corrective Action Plan

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2014**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2014-003

Material Weakness – Identification of Federal Awards

Criteria:

Management is responsible for identifying all federal expenditures of federal awards.

Context:

The schedule of expenditures of federal awards originally delivered to the auditors was missing one grant with federal expenditures in the amount of \$3,621,786.

Effect:

Inclusion of the missing award caused the County to exceed the threshold by which a single audit, in accordance with OMB Circular A-133, is required. The missing award also exceeded the type A threshold and therefore, resulted in it being a major program. Lastly, lack of tracking of federal awards led to the audit not being completed timely and late submission of the Data Collection Form to the Federal Audit Clearinghouse.

Recommendation:

We recommend that the County implement processes to routinely review, track and monitor grant funding from all federal, state and local sources.

Management's Response:

See Corrective Action Plan

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2014**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Award Findings and Questioned Costs

Finding 2013-006: Allowable Activities and Costs Review - Non-compliance and Material Weakness in Internal Controls

Status: The County has implemented its planned corrective action.

Finding 2013-007 – Allowable Cost: Inaccurate Calculations - Non-compliance and Material Weakness

Status: The County has implemented its planned corrective action

Finding 2013-008 – Allowable Cost: Fringe Benefits - Non-compliance and Material Weakness

Status: The County has implemented its planned corrective action.

Finding 2013-009 – Allowable Cost: Personnel Activity Reports - Non-compliance and Material Weakness

Status: The County has implemented its planned corrective action.

Finding 2013-10 – Allowable Cost: Payroll Documentation - Non-compliance and Material Weakness

Status: The County has implemented its planned corrective action.

Finding 2013-011 – Allowable Cost: Equipment Costs - Non-compliance and Significant Deficiency

Status: The County has implemented its planned corrective action.

Finding 2013-012 – Allowable Cost: Maximum Annual Use Allowance - Non-compliance and Material Weakness

Status: The County has implemented its planned corrective action.

Finding 2013-013 – Submission of Data Collection Form - Non-compliance

Status: See finding 2014-03

**PARKER COUNTY, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2014**

Finding 2014-001

Changes have been implemented to audit the capital assets acquisition, depreciation and disposal monthly instead of annually. Capital assets monitoring duties have been reassigned internally. The change was implemented during September 2015. Mike Rhoten, County Auditor, was responsible for implementation and is responsible for monitoring.

Finding 2014-002:

Changes were made to the bank reconciliation process within the recently acquired financial software program to meet the needs of the County. In addition the County Auditors' office has added an additional trained employee to assist the County Treasurer's office to reconcile and prepare bank reconciliations timely. The change was implemented during September 2015. Mike Rhoten, County Auditor, was responsible for implementation and is responsible for monitoring.

Finding 2014-003:

Changes were instituted to work with the County Attorney's office regarding contract agreements to identify funding as Federal or State Grants. The change was implemented during September 2015. Mike Rhoten, County Auditor, was responsible for implementation and is responsible for monitoring.