

COUNTY OF CROCKETT
 Annual Financial Report
 Year Ended December 31, 2013

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FINANCIAL SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Crockett
P.O. Box 989
Ozona, TX 76943-0989

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Crockett, Texas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Crockett, Texas, as of December 31, 2013, the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Emphasis of Matter

As discussed in Note IV., C. to the financial statements, the County began preparing its financial statements using an other comprehensive basis of accounting - modified cash beginning January 1, 2013. This is a different method than previously reported. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 27 through 29, and 30, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2015, on our consideration of the County of Crockett'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 of Crockett's internal control over financial reporting and compliance.

Eckert & Company, LLP

August 11, 2015



COUNTY OF CROCKETT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Crockett's financial performance provides an overview of the County's financial activities for the year ended December 31, 2013, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities and deferred inflows of resources at the end of the current year by \$18,541,020 (net position). Of this amount, \$11,505,149 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position decreased by \$750,048 or 4%. This amount consists of a \$1,139,619 increase attributable to current year operations and a \$1,889,667 net decrease attributable to prior period adjustments. The County's statement of activities shows total revenues of \$15,540,712 and total expenses of \$14,401,093.

The total fund balance of the General Fund is \$8,160,051 which is an increase of \$1,252,597 or 18% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide 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 a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities/deferred inflows of resources resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

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 two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, and the Care Center Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

	<u>Governmental Activities</u>
Current and Other Assets	\$ 15,031,993
Capital Assets	<u>6,742,308</u>
Total Assets	<u>\$ 21,774,301</u>
Other Payables	<u>\$ 188,539</u>
Total Liabilities	<u>\$ 188,539</u>
Deferred Inflows of Resources	<u>\$ 3,044,742</u>
Net Position	
Net Investment in Capital Assets	\$ 6,742,308
Restricted	293,563
Unrestricted	<u>11,505,149</u>
Total Net Position	<u><u>\$ 18,541,020</u></u>

A large portion of the County's net position resulting from modified cash basis transactions (\$6,742,308) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$293,563) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$11,505,149) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$1,139,619 for the fiscal year ended December 31, 2013. Key elements of this increase are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>
Revenues	
Program Revenues	
Charges for Services	\$ 4,155,807
Operating Grants and Contributions	241,358
General Revenues	
Property Taxes - Maintenance	11,022,371
Investment Earnings	50,884
Other Revenues	<u>70,292</u>
Total Revenues	<u>\$ 15,540,712</u>
Expenses	
General Government	\$ 2,379,889
Roads and Bridges	2,209,473
Justice System	1,232,297
Public Safety	1,516,848
Corrections and Rehabilitation	491,964
Public Health and Welfare	5,557,675
Culture and Recreation	<u>1,012,947</u>
Total Expenses	<u>\$ 14,401,093</u>
Change in Net Position	\$ 1,139,619
Net Position - Beginning	19,291,068
Prior Period Adjustment	<u>(1,889,667)</u>
Net Position - Ending	<u><u>\$ 18,541,020</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental 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 financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$11,798,712, an increase of 1,534,325 or 15% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$8,160,051. All of this balance is unassigned.

Special Revenue Funds \$3,638,661. Of this balance \$293,563 is restricted by legislation and \$3,345,098 is committed as follows:

Roads and Bridges	\$ 1,569,243
Health Center Improvement	876,728
Road and Bridge Equipment	737,618
Courthouse Renovation	119,468
Library Memorial	12,974
Airport Improvement	24,175
DARE Program	919
Sheriff Forfeiture	<u>3,973</u>
Total	<u>\$ 3,345,098</u>

General Fund Budget

The original budget for the General Fund was \$7,535,162, and the final amended budget was \$7,603,877 which represents a \$68,715 increase in appropriations. There were no significant variances between the original budget and the final amended budget.

The County has adopted a budget for the General Fund in the amount of \$7,994,907 for the fiscal year 2014, which is an increase of \$391,030 from the fiscal year 2013.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended December 31, 2013.

Long-Term Debt - The County had no long-term debt outstanding.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fred M. Deaton, County Judge, County of Crockett, P.O. Box 1857, Ozona, TX 76943-1857.

Basic Financial Statements

COUNTY OF CROCKETT
Statement of Net Position - Modified Cash Basis
December 31, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 13,561,946
Due from Fiduciary Funds	1,455,349
Due from State	14,698
Capital Assets Not Being Depreciated	
Land	218,470
Other Assets	310,000
Capital Assets (Net of Accumulated Depreciation):	
Buildings and Improvements	4,017,344
Infrastructure	1,274,387
Machinery and Equipment	891,705
Software	4,282
Construction In Progress	<u>26,120</u>
 Total Assets	 <u>\$ 21,774,301</u>
<u>LIABILITIES</u>	
Payroll Liabilities	\$ 146,107
Due to State	<u>42,432</u>
 Total Liabilities	 <u>\$ 188,539</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Taxes	<u>\$ 3,044,742</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,742,308
Restricted:	
Legislation	293,563
Unrestricted	<u>11,505,149</u>
 Total Net Position	 <u><u>\$ 18,541,020</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Statement of Activities - Modified Cash Basis
Year Ended December 31, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 2,379,889	\$ 543,740	\$ 19,943	\$ (1,816,206)
Roads and Bridges	2,209,473	327,937	66,020	(1,815,516)
Justice System	1,232,297	718,784	106,166	(407,347)
Public Safety	1,516,848	7,342	0	(1,509,506)
Corrections and Rehabilitation	491,964	0	0	(491,964)
Public Health and Welfare	5,557,675	2,554,949	49,229	(2,953,497)
Culture and Recreation	1,012,947	3,055	0	(1,009,892)
Total Governmental Activities	\$ 14,401,093	\$ 4,155,807	\$ 241,358	\$ (10,003,928)
General Revenues:				
Property Taxes - Maintenance and Operations				\$ 11,022,371
Investment Earnings				50,884
Miscellaneous				70,292
Total General Revenues				\$ 11,143,547
Change in Net Position				\$ 1,139,619
Net Position - Beginning				19,291,068
Prior Period Adjustments				(1,889,667)
Net Position - Ending				\$ 18,541,020

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2013

	General	Road and Bridge	Care Center	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Temporary Investments	\$ 9,668,265	\$ 1,842,607	\$ 0	\$ 2,051,074	\$ 13,561,946
Due from State	0	0	0	14,698	14,698
Due from Other Funds	<u>1,251,288</u>	<u>200,415</u>	<u>0</u>	<u>3,646</u>	<u>1,455,349</u>
Total	<u>\$ 10,919,553</u>	<u>\$ 2,043,022</u>	<u>\$ 0</u>	<u>\$ 2,069,418</u>	<u>\$ 15,031,993</u>
LIABILITIES					
Due to State	\$ 42,432	\$ 0	\$ 0	\$ 0	\$ 42,432
Payroll Liabilities	146,107	0	0	0	146,107
DEFERRED INFLOWS OF RESOURCES					
Taxes	<u>2,570,963</u>	<u>473,779</u>	<u>0</u>	<u>0</u>	<u>3,044,742</u>
Total	<u>\$ 2,759,502</u>	<u>\$ 473,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,233,281</u>
FUND BALANCES					
Restricted for:					
Special Revenue Funds	\$ 0	\$ 0	\$ 0	\$ 293,563	\$ 293,563
Committed Reported in:					
Special Revenue Funds	0	1,569,243	0	1,775,855	3,345,098
Unassigned, Reported in:					
General Fund	<u>8,160,051</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,160,051</u>
Total Fund Balances	<u>\$ 8,160,051</u>	<u>\$ 1,569,243</u>	<u>\$ 0</u>	<u>\$ 2,069,418</u>	<u>\$ 11,798,712</u>
Total	<u>\$ 10,919,553</u>	<u>\$ 2,043,022</u>	<u>\$ 0</u>	<u>\$ 2,069,418</u>	<u>\$ 15,031,993</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position - Modified Cash Basis
December 31, 2013

Total Fund Balances - Governmental Funds	\$ 11,798,712
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	7,119,606
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	216,119
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(593,417)</u>
Net Position of Governmental Activities	<u><u>\$ 18,541,020</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
Year Ended December 31, 2013

	General	Road and Bridge	Care Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,306,668	\$ 1,715,703	\$ 0	\$ 0	\$ 11,022,371
Fees and Fines	1,201,237	327,937	2,128,072	498,561	4,155,807
Intergovernmental	97,759	66,020	0	77,579	241,358
Interest	41,529	9,345	0	10	50,884
Miscellaneous	40,508	14,108	1,817	3,609	60,042
	<u>\$ 10,687,701</u>	<u>\$ 2,133,113</u>	<u>\$ 2,129,889</u>	<u>\$ 579,759</u>	<u>\$ 15,530,462</u>
Total Revenues					
EXPENDITURES					
Current:					
General Government	\$ 2,312,691	\$ 0	\$ 0	\$ 21,221	\$ 2,333,912
Roads and Bridges	0	2,165,773	0	0	2,165,773
Justice System	1,127,141	0	0	104,766	1,231,907
Public Safety	1,348,213	0	0	4,136	1,352,349
Corrections and Rehabilitation	483,864	0	0	0	483,864
Public Health and Welfare	668,078	0	3,893,196	926,004	5,487,278
Culture and Recreation	957,598	0	0	864	958,462
	<u>\$ 6,897,585</u>	<u>\$ 2,165,773</u>	<u>\$ 3,893,196</u>	<u>\$ 1,056,991</u>	<u>\$ 14,013,545</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,790,116</u>	<u>\$ (32,660)</u>	<u>\$ (1,763,307)</u>	<u>\$ (477,232)</u>	<u>\$ 1,516,917</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 0	\$ 5,525	\$ 1,763,307	\$ 1,101,009	\$ 2,869,841
Transfers Out	<u>(2,554,927)</u>	<u>(135,670)</u>	<u>0</u>	<u>(179,244)</u>	<u>(2,869,841)</u>
Total Other Financing Sources (Uses)	<u>\$ (2,554,927)</u>	<u>\$ (130,145)</u>	<u>\$ 1,763,307</u>	<u>\$ 921,765</u>	<u>\$ 0</u>

Net Change in Fund Balances	\$ 1,235,189	\$ (162,805)	\$ 0	\$ 444,533	\$ 1,516,917
Fund Balances - Beginning	6,907,454	1,731,748	0	1,625,185	10,264,387
Prior Period Adjustments	<u>17,408</u>	<u>300</u>	<u>0</u>	<u>(300)</u>	<u>17,408</u>
Fund Balances - Ending	<u>\$ 8,160,051</u>	<u>\$ 1,569,243</u>	<u>\$ 0</u>	<u>\$ 2,069,418</u>	<u>\$ 11,798,712</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
Year Ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 1,516,917
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	216,119
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(593,417)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,139,619</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 6,573,676</u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 1,455,349
Due to Other Governments	2,483,949
Due to Others	<u>2,634,378</u>
 Total Liabilities	<u>\$ 6,573,676</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT
Notes to the Financial Statements
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Crockett, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Crockett, Texas, was organized by an Act of the Texas Legislature in 1891. The County is governed by the Commissioners' Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Care Center Fund – This Fund is a special revenue fund and is used to account for revenues for the Care Center.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

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

<u>Assets</u>	<u>Years</u>
Infrastructure	30
Buildings and Improvements	30-40
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Compensated Absences

County employees are entitled to paid time off and sick leave based on their length of employment. Paid time off (PTO) can accumulate up to twenty-three to thirty-three days based on their length of employment. PTO does not accumulate or vest. Employees can accumulate up to sixty days of sick leave, but it does not vest. Sick leave earned past the sixty days is converted to PTO at a rate of 2 to 1. Employees are not paid for unused PTO or sick leave upon separation from service.

G. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

Unrestricted - This is the difference between assets and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted by Legislation.

H. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Fund Balances - Continued

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

I. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected and available for use.

J. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in the following:

General Fund	
Public Safety	\$ 143,799
Corrections and Rehabilitation	23,090
Transfers Out	2,554,927
Road and Bridge Fund	
Transfers Out	135,670
Care Center Fund	
Public Health and Welfare	185,205

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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

Custodial Credit Risk - Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits and investments in certificates of deposit since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At December 31, 2013, the County's funds are in money market or checking accounts with its depository bank; the County has no investments. The County invests funds in a fiduciary capacity in certificates of deposit with its depository bank. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At December 31, 2013, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the County's cash and temporary investments at December 31, 2013, approximates fair value and consisted of the following:

Cash in Bank	\$ 18,710,700
Certificates of Deposit	<u>1,424,922</u>
Total Cash and Temporary Investments	<u><u>\$ 20,135,622</u></u>

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables, Payables, and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 1,251,288</u>	<u>\$ 0</u>	Unremitted Fees and Taxes
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 200,415</u>	<u>\$ 0</u>	Unremitted Fees and Taxes
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 3,646</u>	<u>\$ 0</u>	Unremitted Fees and Taxes
Fiduciary Funds			
General Fund	\$ 0	\$ 1,251,288	Unremitted Fees and Taxes
Road and Bridge Fund	0	200,415	
Nonmajor Governmental Funds	0	3,646	Unremitted Fees and Taxes
	<u>\$ 0</u>	<u>\$ 1,455,349</u>	
Totals	<u>\$ 1,455,349</u>	<u>\$ 1,455,349</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road and Bridge Fund	\$ 5,525	Current Operations
General Fund	Care Center Fund	1,763,307	Current Operations
General Fund	Nonmajor Governmental Funds	786,095	Current Operations
Road and Bridge Fund	Nonmajor Governmental Funds	135,670	Current Operations
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>179,244</u>	Current Operations
Total		<u>\$ 2,869,841</u>	

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 218,470	\$ 0	\$ 0	\$ 0	\$ 218,470
Other	310,000	0	0	0	310,000
Total Capital Assets Not Being Depreciated	<u>\$ 528,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 528,470</u>
Capital Assets Being Depreciated					
Buildings and Improvements	\$ 6,103,479	\$ 0	\$ 0	\$ 0	\$ 6,103,479
Infrastructure	3,266,340	0	0	0	3,266,340
Machinery and Equipment	5,830,126	0	189,999	46,966	5,973,159
Software	5,994	0	0	0	5,994
Construction in Progress	0	0	26,120	0	26,120
Total Capital Assets Being Depreciated	<u>\$ 15,205,939</u>	<u>\$ 0</u>	<u>\$ 216,119</u>	<u>\$ 46,966</u>	<u>\$ 15,375,092</u>
Total Capital Assets	<u>\$ 15,734,409</u>	<u>\$ 0</u>	<u>\$ 242,239</u>	<u>\$ 46,966</u>	<u>\$ 15,903,562</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (1,974,155)	\$ 0	\$ (111,980)	\$ 0	\$ (2,086,135)
Infrastructure	0	(1,936,371)	(55,582)	0	(1,991,953)
Machinery and Equipment	(4,732,717)	29,296	(424,999)	(46,966)	(5,081,454)
Software	(856)	0	(856)	0	(1,712)
Total Accumulated Depreciation	<u>\$ (6,707,728)</u>	<u>\$ (1,907,075)</u>	<u>\$ (593,417)</u>	<u>\$ (46,966)</u>	<u>\$ (9,161,254)</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,026,681</u>	<u>\$ (1,907,075)</u>	<u>\$ (351,178)</u>	<u>\$ 0</u>	<u>\$ 6,742,308</u>

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 108,124
Roads and Bridges	101,950
Justice System	390
Public Safety	249,971
Corrections and Rehabilitation	8,100
Public Health and Welfare	70,397
Culture and Recreation	<u>54,485</u>
Total	<u>\$ 593,417</u>

D. Deferred Inflows of Resources

The statement of net position and the balance sheet report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category, ad valorem taxes, which were collected in the current year but will be used to fund the following year's budget.

E. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of December 31, 2013, as follows:

	Year Ending <u>December 31,</u>	
	2014	\$ 21,533
	2015	19,908
	2016	<u>8,203</u>
Total Minimum Rentals		<u>\$ 49,644</u>

Rental expenditures during the year ended December 31, 2013, were \$24,968.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

IV. OTHER INFORMATION

A. 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 & 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 on a calendar year basis a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits 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 deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The employer 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. It was 9.93% for calendar year 2013.

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

Annual Pension Cost - For the employer's accounting year ended December 31, 2013, the annual pension cost for the TCDRS plan for its employees was \$540,362, and the actual contributions were \$540,362.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

Actuarial Valuation Information

Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
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	20	20	20
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return ¹	8.0%	8.0%	8.0%
Projected Salary Increases ¹	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

¹ Includes Inflation at the Stated Rate

Trend Information

<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-11	\$ 438,722	100%	\$ 0
12-31-12	478,053	100%	0
12-31-13	540,362	100%	0

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. 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 payroll on a closed basis. The remaining amortization period at December 31, 2012, was 20 years.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 79.86% funded. The actuarial accrued liability for benefits was \$16,559,328, and the actuarial value of assets was \$13,224,346, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,334,982. The covered payroll (annual payroll of active employees covered by the plan) was \$5,207,657 and the ratio of the UAAL to the covered payroll was 64.04%.

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

B. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for fleet liability, public officials' liability, and law enforcement liability.

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and severable liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund will provide coverage for buildings and contents and general liability insurance.

COUNTY OF CROCKETT
Notes to the Financial Statements - Continued
December 31, 2013

IV. OTHER INFORMATION - Continued

C. Emphasis of Matter

In previous years, the County prepared its financial statements using generally accepted accounting principles. Effective for the years beginning after December 31, 2012, the County will prepare its financial statements using an other comprehensive basis of accounting - modified cash, resulting in a change to beginning fund balance/net position. A summary of the significant components of this adjustment is as follows:

	General Fund	Road and Bridge Fund	Care Center Fund	Other Nonmajor Funds	Total
Fund Balances Per 2012 Audit Report	\$ 6,856,748	\$ 1,714,538	\$ (108,091)	\$ 1,593,899	\$ 10,057,094
Adjust Net Taxes and Fees Receivable	\$ (993,029)	\$ (184,254)	\$ 0	\$ (4,996)	\$ (1,182,279)
Adjust Prepays	(75,478)	(31,360)	(6,574)	(4,612)	(118,024)
Adjust Accounts Payable	(41,387)	24,422	29,905	14,349	27,289
Adjust Accrued Wages Payable	35,175	24,147	84,760	21,550	165,632
Adjust Due from Officials	1,115,461	184,255	0	4,995	1,304,711
Various Miscellaneous Adjustments	9,964	0	0	0	9,964
 Total Adjustments at Fund Statement Level	 \$ 50,706	 \$ 17,210	 \$ 108,091	 \$ 31,286	 \$ 207,293
 Adjusted 2012 Fund Balances	 \$ 6,907,454	 \$ 1,731,748	 \$ 0	 \$ 1,625,185	 \$ 10,264,387
 Net Position Per 2012 Audit Report	 \$ 27,545,957				
Adjustments at Fund Statement Level	207,293				
Adjust for Prior Years' Uncollected Taxes	(8,532,992)				
Adjust Receivables	(337,289)				
Adjust Liabilities	408,099				
 Adjusted 2012 Net Position	 \$ 19,291,068				

D. Adjustments to Fund Balance/Net Position

The fund balance of the General Fund was increased by \$17,408 to record reimbursement for prior year's expenses. The fund balance of the Road and Bridge Fund was increased and the fund balance of Other Nonmajor Funds was decreased to reclassify \$300 to the correct fund.

Net position was decreased an additional \$1,907,075 to correct the prior year's depreciation for a net prior period adjustment of \$1,889,667.

E. Subsequent Events

The County's management has evaluated subsequent events through August 11, 2015, the date which the financial statements were available for issue.

Other Information

COUNTY OF CROCKETT
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Modified Cash Basis - Budget and Actual
 General Fund
 Year Ended December 31, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 8,671,441	\$ 8,671,441	\$ 9,306,668	\$ 635,227
Fees and Fines	973,335	973,335	1,201,237	227,902
Intergovernmental	45,000	45,000	97,759	52,759
Interest	25,000	25,000	41,529	16,529
Miscellaneous	16,000	16,000	40,508	24,508
 Total Revenues	 <u>\$ 9,730,776</u>	 <u>\$ 9,730,776</u>	 <u>\$ 10,687,701</u>	 <u>\$ 956,925</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 2,524,689	\$ 2,526,189	\$ 2,312,691	\$ 213,498
Justice System	1,309,022	1,317,952	1,127,141	190,811
Public Safety	1,199,414	1,204,414	1,348,213	(143,799)
Corrections and Rehabilitation	460,774	460,774	483,864	(23,090)
Public Health and Welfare	945,761	999,046	668,078	330,968
Culture and Recreation	1,095,502	1,095,502	957,598	137,904
 Total Expenditures	 <u>\$ 7,535,162</u>	 <u>\$ 7,603,877</u>	 <u>\$ 6,897,585</u>	 <u>\$ 706,292</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 2,195,614</u>	 <u>\$ 2,126,899</u>	 <u>\$ 3,790,116</u>	 <u>\$ 1,663,217</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	0	0	(2,554,927)	(2,554,927)
 Net Change in Fund Balance	 <u>\$ 2,195,614</u>	 <u>\$ 2,126,899</u>	 <u>\$ 1,235,189</u>	 <u>\$ (891,710)</u>
Fund Balances - Beginning	6,907,454	6,907,454	6,907,454	0
Prior Period Adjustment	0	0	17,408	(17,408)
 Fund Balances - Ending	 <u>\$ 9,103,068</u>	 <u>\$ 9,034,353</u>	 <u>\$ 8,160,051</u>	 <u>\$ (909,118)</u>

COUNTY OF CROCKETT
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Modified Cash Basis - Budget and Actual
 Road and Bridge Fund
 Year Ended December 31, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 1,676,850	\$ 1,676,850	\$ 1,715,703	\$ 38,853
Fees and Fines	320,000	320,000	327,937	7,937
Intergovernmental	26,361	26,361	66,020	39,659
Interest	10,000	10,000	9,345	(655)
Miscellaneous	6,000	6,000	14,108	8,108
Total Revenues	\$ 2,039,211	\$ 2,039,211	\$ 2,133,113	\$ 93,902
<u>EXPENDITURES</u>				
Current:				
Roads and Bridges	2,585,459	2,585,459	2,165,773	419,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (546,248)	\$ (546,248)	\$ (32,660)	\$ 513,588
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 0	\$ 0	\$ 5,525	\$ 5,525
Transfers Out	0	0	(135,670)	(135,670)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (130,145)	\$ (130,145)
Net Change in Fund Balance	\$ (546,248)	\$ (546,248)	\$ (162,805)	\$ 383,443
Fund Balances - Beginning	1,731,748	1,731,748	1,731,748	0
Prior Period Adjustment	0	0	300	300
Fund Balances - Ending	\$ 1,185,500	\$ 1,185,500	\$ 1,569,243	\$ 383,743

COUNTY OF CROCKETT
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Modified Cash Basis - Budget and Actual
 Care Center Fund
 Year Ended December 31, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Fees and Fines	\$ 2,408,392	\$ 2,408,392	\$ 2,128,072	\$ (280,320)
Miscellaneous	0	0	1,817	1,817
 Total Revenues	 \$ 2,408,392	 \$ 2,408,392	 \$ 2,129,889	 \$ (278,503)
<u>EXPENDITURES</u>				
Current:				
Public Health and Welfare	3,623,067	3,707,991	3,893,196	(185,205)
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ (1,214,675)	 \$ (1,299,599)	 \$ (1,763,307)	 \$ (93,298)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	1,763,307	1,763,307
 Net Change in Fund Balance	 \$ (1,214,675)	 \$ (1,299,599)	 \$ 0	 \$ 1,670,009
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$ (1,214,675)</u>	<u>\$ (1,299,599)</u>	<u>\$ 0</u>	<u>\$ 1,670,009</u>

COUNTY OF CROCKETT
 Schedule of Funding Progress for the TCDRS Retirement Plan
 December 31, 2013
 (Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll¹</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12-31-10	\$ 12,578,355	\$ 15,290,698	\$ 2,712,343	82.26 %	\$ 5,297,540	51.20 %
12-31-11	12,929,516	15,886,056	2,956,540	81.39 %	5,071,928	58.29 %
12-31-12	13,224,346	16,559,328	3,334,982	79.86 %	5,207,657	64.04 %

¹ The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable County Judge
and Commissioners' Court
County of Crockett
P.O. Box 989
Ozona, TX 76943-0989

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 County of Crockett, Texas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Crockett'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 of Crockett's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Crockett's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Crockett's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2013-001.

County's Response to Findings

The County of Crockett's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 the response.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

August 11, 2015

COUNTY OF CROCKETT
Schedule of Findings and Responses
Year Ended December 31, 2013

Findings -

Reference Number: 2013-001

Criteria:

Section 111.010 of the Texas Local Government Code states that public funds of the County may be spent only in strict compliance with the budget except in an emergency.

Condition:

Expenditures exceeded appropriations in the following:

General Fund	
Public Safety	\$ 143,799
Corrections and Rehabilitation	23,090
Transfers Out	2,554,927
Road and Bridge Fund	
Transfers Out	135,670
Care Center Fund	
Public Health and Welfare	185,205

Cause:

Amendments to the budget were not adequate to ensure that expenditures did not exceed appropriations during the year.

Effect:

Public funds of the County were spent that were not provided for in the budget.

Auditor's Recommendation:

The budget should be monitored closely to see that amendments are made as necessary.

Responses -

Reference Number: 2013-001

The County will place more emphasis on the budget and see that the amounts appropriated are adequate to cover all expenditures.