

HOOD COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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

HOOD COUNTY, TEXAS
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SEPTEMBER 30, 2013

HOOD COUNTY, TEXAS
AUDITOR'S OFFICE
5417 Acton Hwy #106
Granbury, Texas 76049

HOOD COUNTY, TEXAS

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INTRODUCTORY SECTION

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Hood County Auditor

**5417 Acton Hwy, Ste. 106
Granbury, TX 76049
(817) 579-3210**

March 15, 2014

Honorable Ralph H. Walton, Jr., 355th Judicial District Judge
Honorable Darrell Cockerham, Hood County Judge
Honorable Hood County Commissioners
Hood County, Texas

Gentlemen:

The Comprehensive Annual Financial Report of Hood County, Texas for the year ended September 30, 2013, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the County. We believe the data as presented is correct in all material respects; that it is presented in a manner designed to fairly present the financial position and results of operations of Hood County, Texas (the County) as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a proper understanding of the County's financial activity have been included. The report was prepared in accordance with generally accepted accounting principles set forth by the Governmental Accounting Standards Board, and is in compliance with Paragraph 114.025 Vernon's Texas Codes Annotated (V.T.C.A.) Local Government Code.

The Comprehensive Annual Financial Report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter, Hood County's organizational chart and a list of principal officials (as of the end of September). The financial section includes the general-purpose financial statements and the combining and individual fund financial statements and schedules, in addition to the independent auditors' report on the financial statements and schedules.

This report includes all of the funds and account groups of the County. The County provides a full range of services, including public safety, corrections, legal and judicial services, roads construction and roads maintenance, county library, and other administrative services.

ECONOMIC CONDITION

LOCAL ECONOMIC INFORMATION – The Texas State Legislature created Hood County in 1866. The County’s population of about 54,300 occupies 437 square miles (of which Lake Granbury comprises 15 square miles). The North Central Texas Council of Governments estimates that Hood County has added over 13,200 new residents since the 2000 Census. As of the date of this report, Hood County Sales Tax collections dropped from the prior year. New construction of homes and businesses were slightly improved. Development and production of natural gas is smaller than during the years 2008 through 2011. The growth in population and vehicle traffic gave rise to larger demands for services from Hood County government. Most property valuations have been relatively stable for the past several years, with the exception of mineral interests which have declined significantly.

MAJOR INITIATIVES

FOR THE YEAR – Hood County was hit in May of 2013 with a major tornado that took six lives and destroyed many homes. The emergency response led by local officials was swift and effective. It was not only elected and appointed officials who were prompt in response to the storm's damage, but also every first responder unit and local law enforcement agency. Immediate aid was given by local churches, businesses, and service organizations, right down to next-door neighbors. There was no way to control the tornado, but the remarkable efforts of countless workers and volunteers clearly mitigated further damages, costs and injuries.

The County is in the process of securing a grant from the Texas Department of Agriculture to help recover some of the costs of removing storm debris in the Rancho Brazos community hit by the tornado. The County also secured a grant, and donations, to cover part of the costs of constructing a new Emergency Operations Center that was recently completed.

The County borrowed funds in a tax note for the construction of a new Animal Control facility to be built on real property already owned by the County. The Architect and General Contractor are underway on site preparation, and construction should begin soon.

FOR THE FUTURE – In November 2012 voters approved a referendum for the County to borrow up to ten million dollars to build a new recreation facility, to be managed by YMCA of Fort Worth. The County purchased real property from the Granbury Independent School District, and has borrowed the ten million dollars approved by voters. Contract negotiations are underway to finalize plans for the YMCA building, and to select construction contractors.

An election was held May 8, 2010 in which voters approved the County’s specific authority to issue up to seventy-five million dollars of bonded debt for highway improvements; this project is being pursued only for the Cresson traffic relief route. The Texas Department of Transportation (TxDOT) has taken over this Cresson project, and TxDOT is holding final public hearings.

FINANCIAL INFORMATION

INTERNAL CONTROL STRUCTURE - The accounting records for Hood County’s governmental operations are maintained on a modified accrual basis, the same basis utilized for financial statement presentation. The financial operating controls are shared by the Commissioners’ Court (the governing body) and the County Auditor, who is appointed by the District Judge. The County Auditor has the basic responsibilities for maintaining the records of all financial transactions of the County; and, examining and approving all disbursements from County funds prior to their submission to the Commissioners’ Court for authorization. The Commissioners’ Court sets the tax rates, establishes policies for County operations, approves contracts for the County, and develops and adopts the County budget within the resources as estimated by the County Judge, with assistance from the County Auditor.

Accounting systems for the County were developed with consideration given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance for safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived from those controls; the evaluation of these costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the County government is also responsible for keeping an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

BUDGETING CONTROLS - Hood County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the County's governing body. Activities of the General Fund, certain Special Revenue Funds, and Debt Service Funds are included in the annual appropriated budget. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund.

GENERAL GOVERNMENT FUNCTIONS - The following schedule presents a summary of revenues recorded in the Governmental Funds for the fiscal year ended September 30, 2013, as well as the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 2012	Percent Increase (Decrease) from 2012
Taxes	\$ 21,751,412	76.77%	\$ (227,688)	-1.04%
Charges for services	4,416,645	15.59	(155,618)	(3.40)
Grants and contributions	1,705,123	6.02	125,002	7.91
Investment income	32,777	0.11	397	1.23
Miscellaneous	428,445	1.51	70,768	19.79
Total	\$ 28,334,402	100.00%	\$ (187,139)	-0.65%

Tax revenues decreased because sales tax collections dropped from the prior year. The County collects sales taxes strictly for the purpose of reducing ad valorem taxes. Charges for services decreased about 3.40%, but miscellaneous revenues increased by \$70,768. Grant revenues increased slightly this year. Investment income has remained lower in recent years due to much lower interest rates. Investment income remained about the same as last year. Overall, current revenues decreased 0.65%.

The following schedule presents a summary of Governmental Funds expenditures for the fiscal year ended September 30, 2013, and the percentage of increases and decreases in relation to prior year amounts.

Functional Category	Amount	Percent of Total	Increase (Decrease) from 2012	Percent Increase (Decrease) from 2012
General administration	\$ 5,358,082	19.45%	\$ 116,288	2.22%
Judicial	3,985,428	14.47	296,341	8.03
Public facilities	869,507	3.16	115,608	15.33
Public safety	11,403,718	41.40	910,327	8.68
Public transportation	4,182,410	15.19	(56,402)	(1.33)
Health and welfare	422,748	1.53	(297,448)	(41.30)
Culture/recreation	567,163	2.06	(22,807)	3.87
Conservation	85,237	0.31	1,902	2.28
Interest on long-term debt	667,720	2.43	(4,104)	(0.61)
Total	\$ 27,542,013	100.00%	\$ 1,059,705	4.00%

Judicial expenses were up due to increased required attorney fees for indigent defense. Public facilities expenses rose due to sharply higher costs of utilities. The cost Public safety increased from higher compensation for Sheriff deputies, increased cost of fuel, and the addition of a new Constable office during the year. Health and welfare costs were down because there was a grant completed in the previous year. Overall, current expenditures increased 4.00%.

DEBT ADMINISTRATION - At September 30, 2013, Hood County had general long term bonded debt, Texas tax notes and contractual obligations outstanding in the amount of \$ 16,995,000. The County has maintained its debt ratings by both Fitch and Standard & Poor's at AA – Stable outlook. Net tax-supported debt per capita for the County was \$313.

CASH MANAGEMENT - The County's investment policies are in accordance with the laws of the State of Texas. The policies identify the authorized investments, collateral requirements and safekeeping requirements for collateral. Demand deposits are covered by a guaranteed letter of credit pledged as collateral maintained at a third party bank. The remaining funds are held at Texpool and Texstar, approved government investment pools.

ENTERPRISE OPERATIONS - The County currently maintains no enterprise funds.

RETIREMENT PLAN FUNDING - The County provides pension, disability and death benefits for all of its employees (half time or more) through a nontraditional, joint contributory, defined contribution plan in the Texas County and District Retirement System, (TCDRS). The County contribution rate was 7.24% for 2013 and 7.56% for 2012, and for employee members is six percent of covered payroll. The TCERS "funded ratio" of the plan improved to just over 97%.

RISK MANAGEMENT – The County participates in the Texas Association of Counties programs for risk management. These programs provide coverage for various types of risks including: property and casualty, vehicle operation, general liability, and employee coverage for health, unemployment and workers’ compensation.

OTHER INFORMATION

INDEPENDENT AUDIT - State laws require an annual audit by independent certified public accountants. Commissioners’ Court engaged the public accounting firm of Pattillo, Brown & Hill, LLC. Their audit was designed to meet the requirements set forth in state statutes, and generally accepted governmental auditing standards. The auditors’ report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

ACKNOWLEDGMENTS - The preparation of this report could not have been accomplished without the dedicated services of the County Auditor’s Office staff. I also want to express my appreciation to all County staff members who have assisted in the maintenance of the accounting records of the County, the County Treasurer’s Office, the District Judge, and to the members of the Commissioners’ Court for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

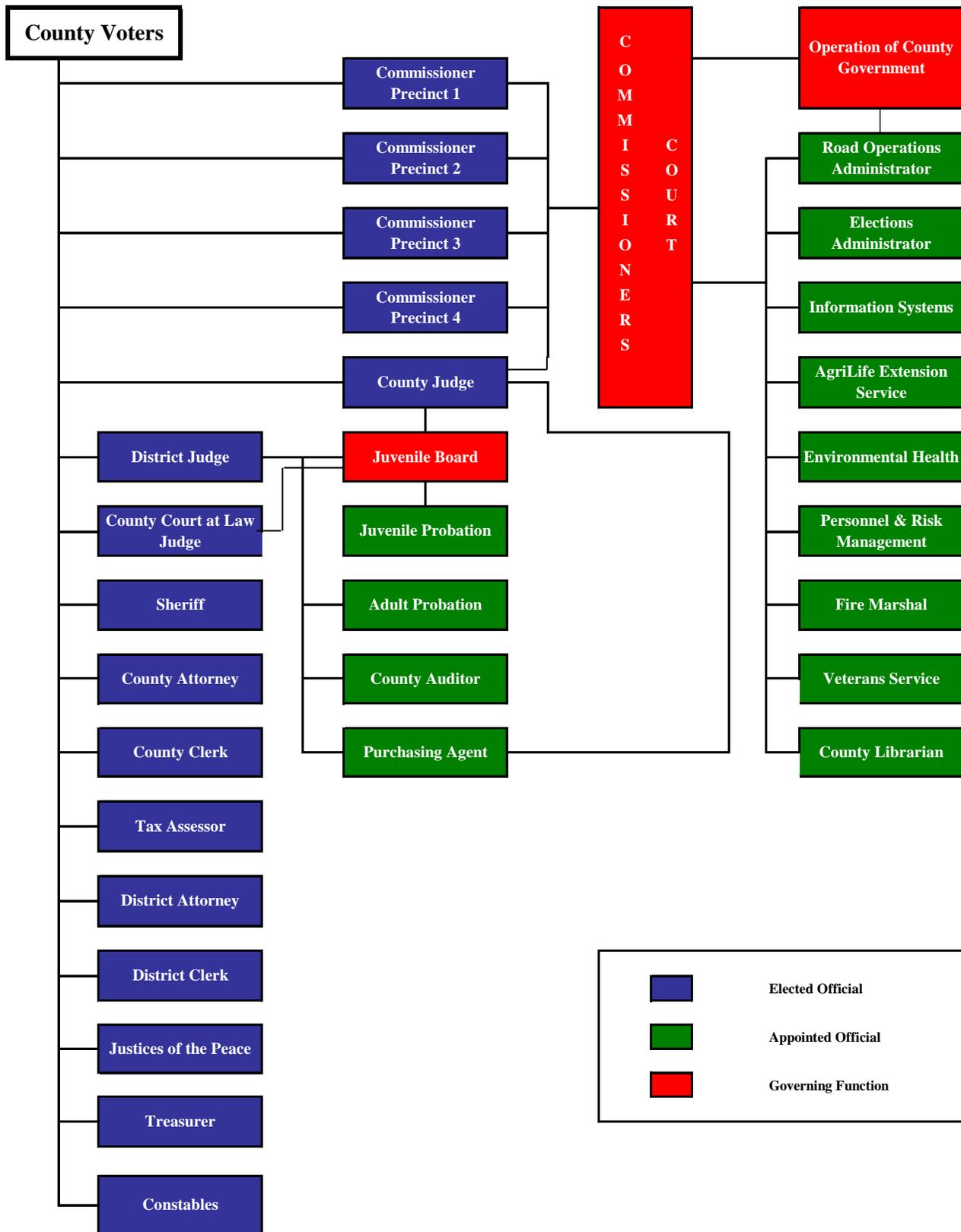
Stan McBroom

Stan McBroom
County Auditor

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HOOD COUNTY ORGANIZATION

September 30, 2013



OFFICIALS OF HOOD COUNTY, TEXAS

SEPTEMBER 30, 2013

ELECTED OFFICIALS

County Judge Darrell Cockerham
County Commissioner Precinct 1 James Deaver
County Commissioner Precinct 2 Richard Roan
County Commissioner Precinct 3 Jeff Tout
County Commissioner Precinct 4 Steve Berry
County Attorney Lori Kaspar
County Clerk Mary Burnett
County Court at Law Vincent J. Messina
Constable, Precinct 1..... Joe Lee
Constable, Precinct 2 Dewayne Hart
Constable, Precinct 3 Mike Lang
Constable, Precinct 4 G. Chad Jordan
District Judge Ralph H. Walton, Jr.
District Attorney Robert T. Christian
District Clerk Tonna L. (Trumble) Hitt
Justice of the Peace, Precinct 1 Roger Howell
Justice of the Peace, Precinct 2 Martin Castillo
Justice of the Peace, Precinct 3 Judy B. Watson
Justice of the Peace, Precinct 4 Danny Tuggle
Sheriff Roger Deeds
Tax Assessor-Collector Teresa McCoy
Treasurer Kathy C. Davis

APPOINTED OFFICIALS

County Auditor Stan McBroom
Chief, Adult Probation Shelli Berry
Chief, Juvenile Probation Beth Pate
County Librarian Courtney Kincaid
Environmental Health James D. McAusland
Fire Marshal Ray Wilson
Agri-Life Extension Service Marty J. Vahlenkamp
Information Systems Jackie Solomon
Veterans Service Linda Mallon
Purchasing Agent Nelda Walters
Personnel & Risk Management Robert Blessing
Superintendent Road Operations Donald F. Linney
Elections Administrator Jenise Miller
Facilities Administrator..... Tim Flower

FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and County Commissioners
Hood 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 Hood County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2013, and the respective changes in financial position, 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, budgetary comparison information, and schedules of funding progress on pages 4–15, 45-49, and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements 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 and individual nonmajor 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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 May 7, 2014, 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 County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 7, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of Hood County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The assets of Hood County exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$55,597,822 (net position). Of this amount, \$18,143,130 (unrestricted net position), may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased for governmental activities by \$792,389, or 1%.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18,438,710. 53% of the governmental funds amount, \$9,704,314 is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,760,104 or 48% of the total General Fund expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements. The 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, even though the County cannot operate like a private enterprise.

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the County include general government, judicial, public facilities, public safety, public transportation, health and welfare, culture and recreation, and conservation.

The government-wide financial statements can be found on pages 16 – 17 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 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 available resources, as well as on balances of unencumbered resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The County maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund (Special Revenue Fund), Debt Service Fund, and Courthouse Restoration Fund (Capital Projects Fund), all of which are considered to be major funds. Data from the other 22 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 basic governmental fund financial statements can be found on pages 18 – 23 of this report.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. 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 operations. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 – 44 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found following the notes to the financial statements of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found following the required supplementary information of this report.

Government-wide Financial Analysis

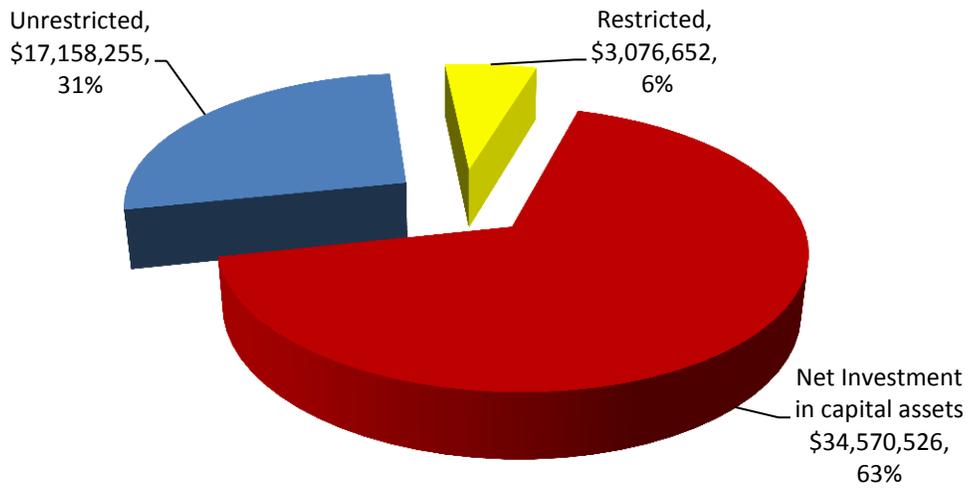
HOOD COUNTY'S NET POSITION

	Governmental Activities	
	2013	2012
Current assets	\$ 23,436,186	\$ 22,197,788
Capital assets	51,641,429	51,266,773
Total assets	<u>75,077,615</u>	<u>73,464,561</u>
Current liabilities	1,707,182	1,335,116
Noncurrent liabilities	<u>17,772,611</u>	<u>17,324,012</u>
Total liabilities	<u>19,479,793</u>	<u>18,659,128</u>
Net position:		
Net investment in capital assets	34,511,432	34,570,526
Restricted	2,943,260	3,076,652
Unrestricted	<u>18,143,130</u>	<u>17,158,255</u>
Total net position	<u>\$ 55,597,822</u>	<u>\$ 54,805,433</u>

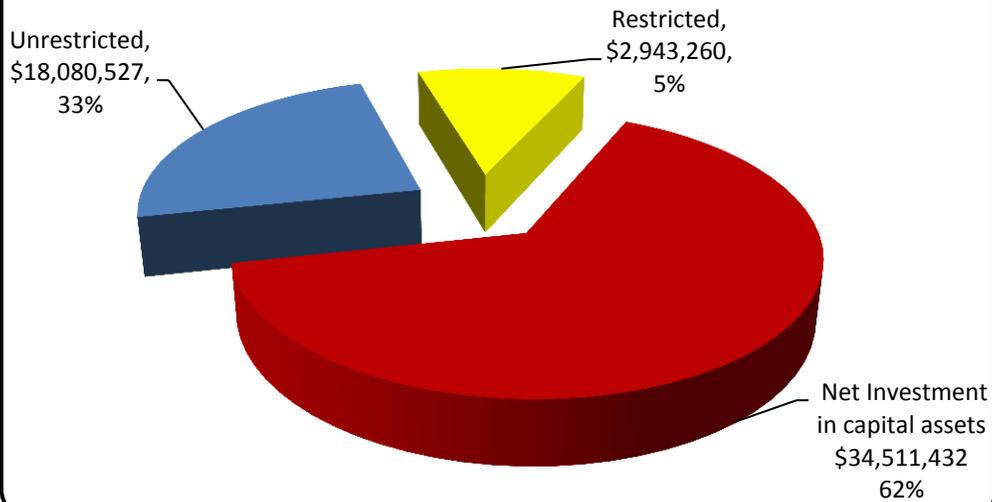
An additional portion of the County's net position of \$2,943,260 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$18,143,130 (33%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2013, the County is able to report positive balances in all three categories of net position for the government as a whole.

2012 Net Position (Percentage & Amount)



2013 Net Position (Percentage & Amount)



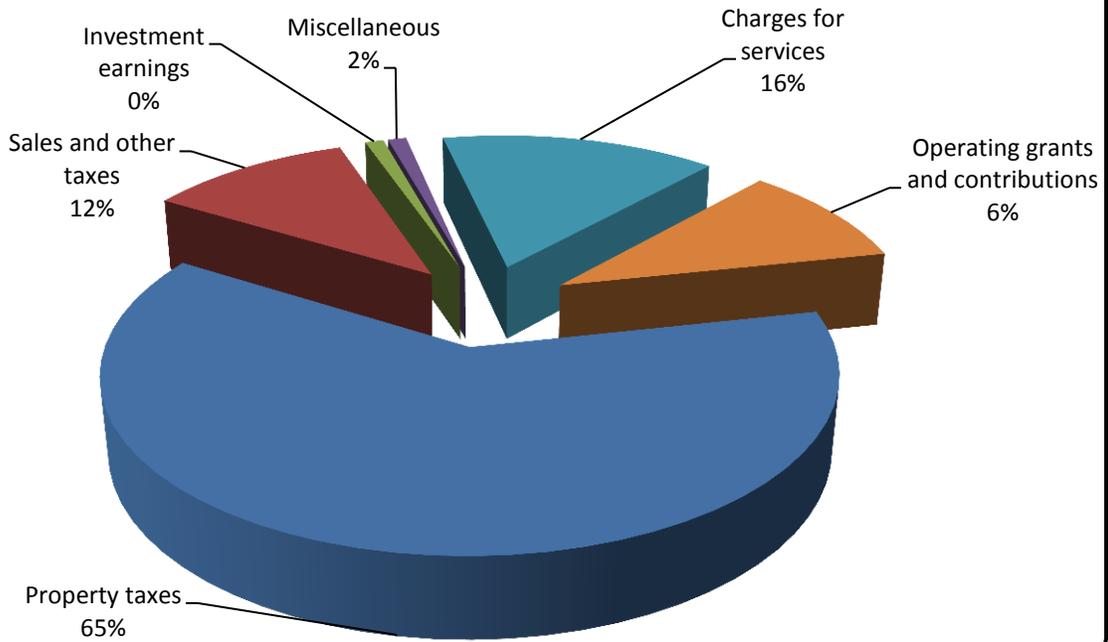
Analysis of the County's Operations. Governmental activities reported an increase in net position in the amount of \$792,389 or 1%.

The following table provides a summary of the County's operations for the year ended September 30, 2013.

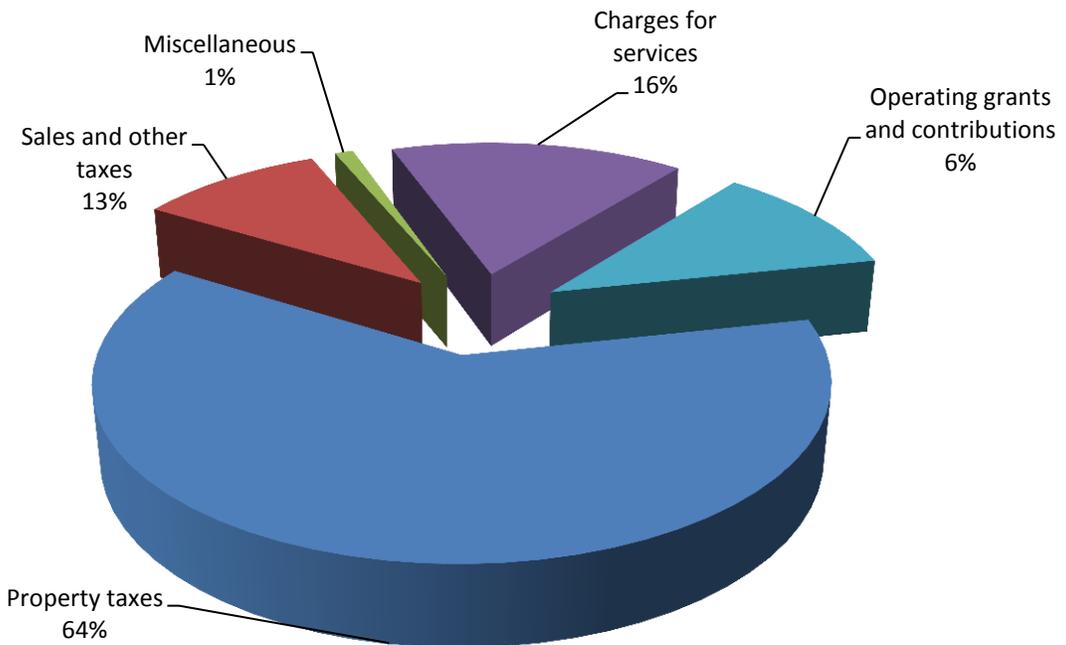
HOOD COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2013	2012
REVENUES		
Program revenues:		
Charges for services	\$ 4,416,645	\$ 4,572,263
Operating grants and contributions	1,705,123	1,580,121
General revenues:		
Property taxes	18,296,626	18,155,429
Sales and other taxes	3,454,786	3,823,671
Investment earnings	32,777	32,380
Miscellaneous	<u>428,445</u>	<u>357,677</u>
Total revenues	<u>28,334,402</u>	<u>28,521,541</u>
EXPENSES		
General administration	5,358,082	5,241,794
Judicial and legal	3,985,428	3,689,087
Public facilities	869,507	753,899
Public safety	11,403,718	10,493,391
Public transportation	4,182,410	4,238,812
Health and welfare	422,748	720,196
Culture and recreation	567,163	589,970
Conservation	85,237	83,335
Interest on long-term debt	<u>667,720</u>	<u>671,824</u>
Total expenses	<u>27,542,013</u>	<u>26,482,308</u>
CHANGE IN NET POSITION	792,389	2,039,233
NET POSITION, BEGINNING	<u>54,805,433</u>	<u>52,766,200</u>
NET POSITION, ENDING	<u>\$ 55,597,822</u>	<u>\$ 54,805,433</u>

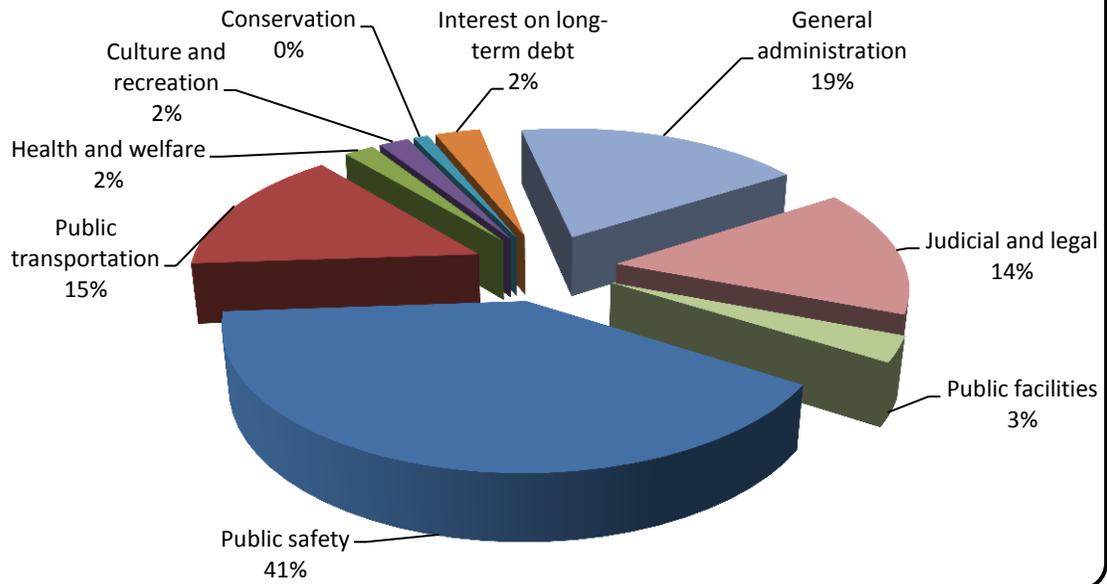
Percentage 2013 Revenues



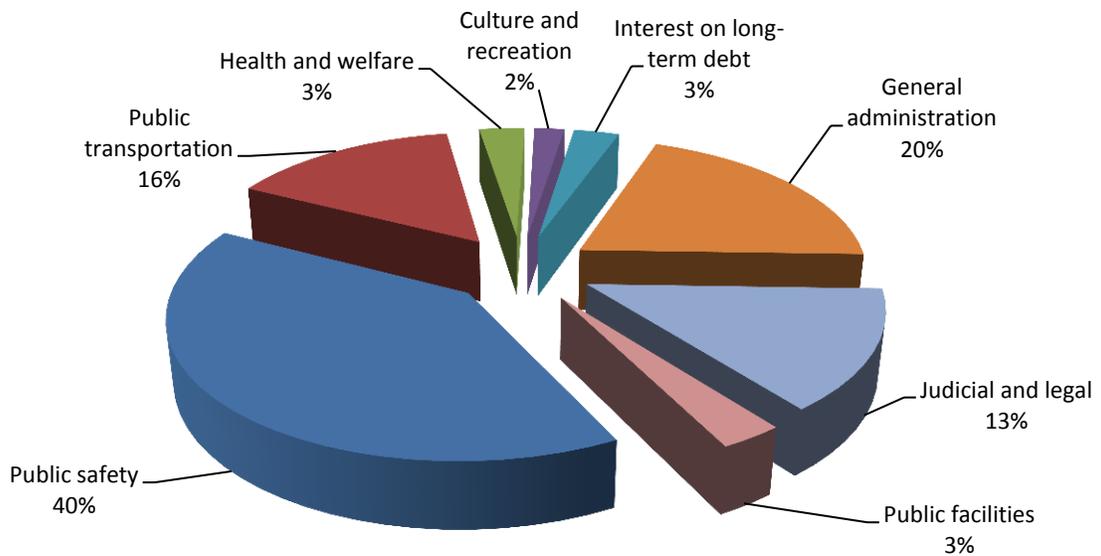
Percentage 2012 Revenues



2013 Expense Percentages



2012 Expense Percentages



Financial Analysis of the County's Funds

As noted earlier, Hood 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. 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 \$18,438,710. \$9,704,314 of this total amount constitutes unassigned fund balance. The remainder of the fund balance has been designated as non-spendable, restricted, committed or assigned as follows:

Fund Balance Classification	Amount
Non-spendable:	
Prepays	\$ 280,616
Inventory	59,945
Restricted:	
Records management and preservation	594,740
Judicial	737,956
Public safety	133,985
Culture and recreation	429,459
Debt service	985,864
Committed:	
Capital projects	4,247,643
Assigned:	
General contingency	1,104,188
Public transportation	100,000
Judicial	60,000
Unassigned	9,704,314

Fund balance of the General Fund decreased by \$363,453; the Road and Bridge; decreased by \$40,612; the Debt Service Fund decreased by \$181,008; the Office Equipment C&M Fund increased by \$1,080,212 ; and, other nonmajor governmental funds decreased by \$(38,690).

General Fund Budgetary Highlights. Over the course of the year, the County recommended and the Commissioners approved several revisions to budgeted revenue and appropriations. These recommendations fall into the following categories:

- Provision of court-appointed attorneys, as required by law;
- Increased cost of housing inmates outside Hood County, and for jail operations;
- Payoff accumulated "comp time" of County employees
- Costs to clean up and recover from tornado of May 2013.

Capital Assets

The County's investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$51,641,429 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress.

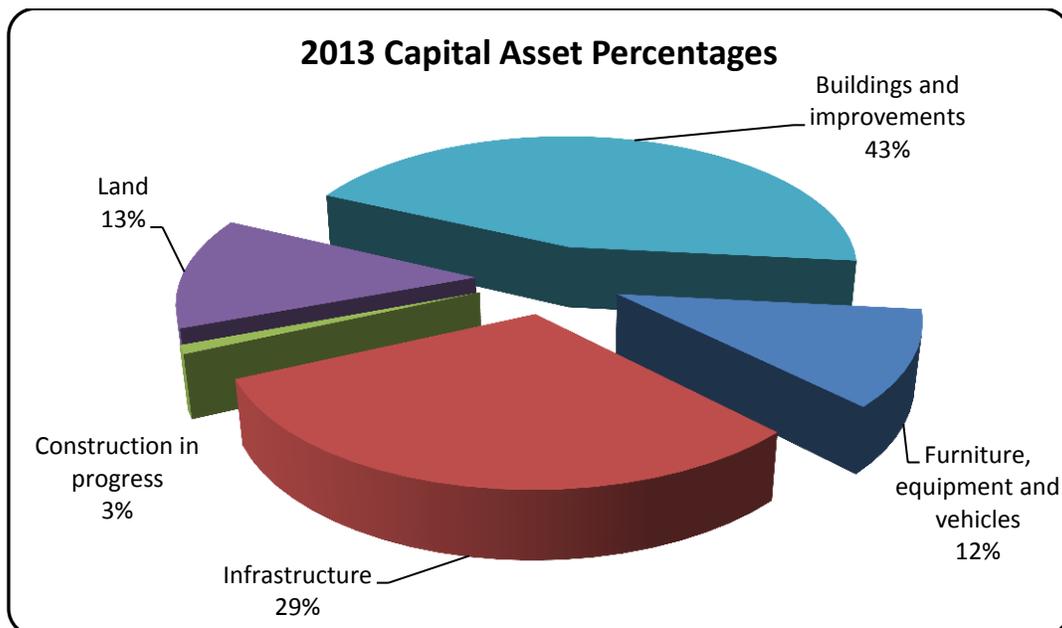
Major capital asset events during the current fiscal year included the following:

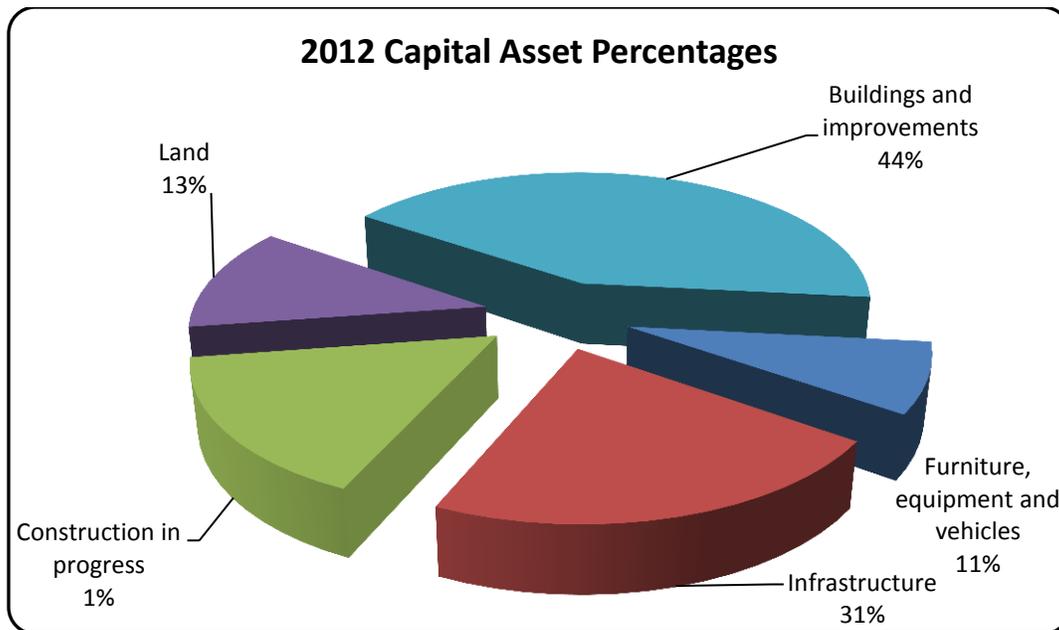
- Construction of Emergency Operations Center;
- Vehicles purchased for law enforcement and fire protection;
- Communications equipment and computer equipment purchased;
- Purchase of new Roads Maintenance equipment; and
- Conversion to Tyler Technologies Software.

HOOD COUNTY'S CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities	
	September 30, 2013	September 30, 2012
Land	\$ 6,621,112	\$ 6,621,112
Construction in progress	1,356,926	347,811
Buildings and improvements	22,277,307	22,873,165
Furniture, equipment and vehicles	6,209,911	5,650,825
Infrastructure	<u>15,176,173</u>	<u>15,773,860</u>
Total	<u>\$ 51,641,429</u>	<u>\$ 51,266,773</u>

Additional information on the County's capital assets can be found in the notes to the financial statements of this report.





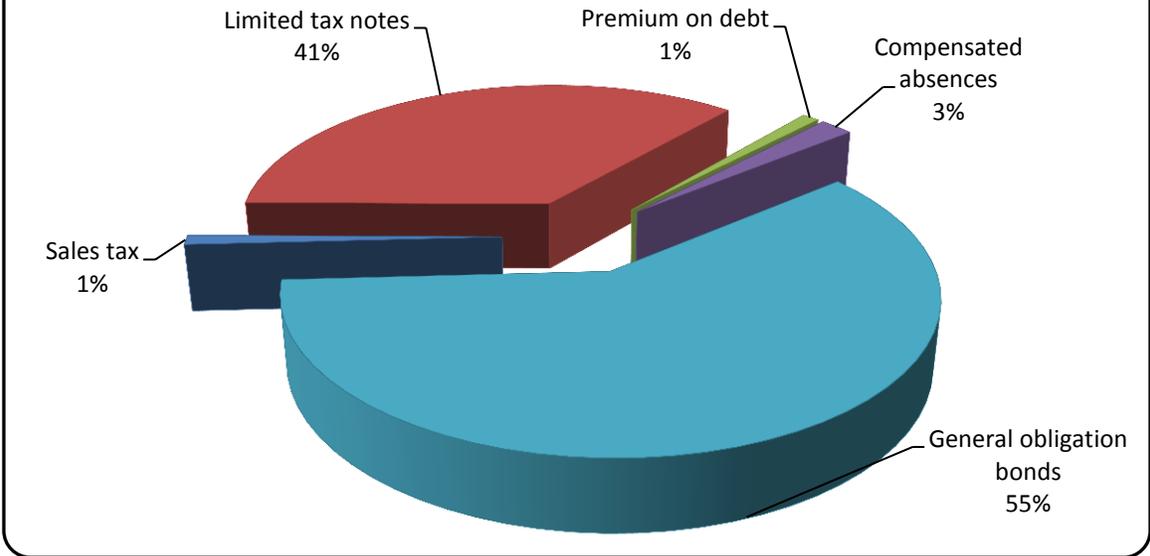
DEBT ADMINISTRATION

At the end of the current fiscal year, the County had a total long-term debt of \$17,772,611. Of this amount, \$16,995,000 comprises bonded, tax notes, and loans debt backed by the full faith and credit of the County. These bonds and limited tax notes will be retired with revenues from property taxes.

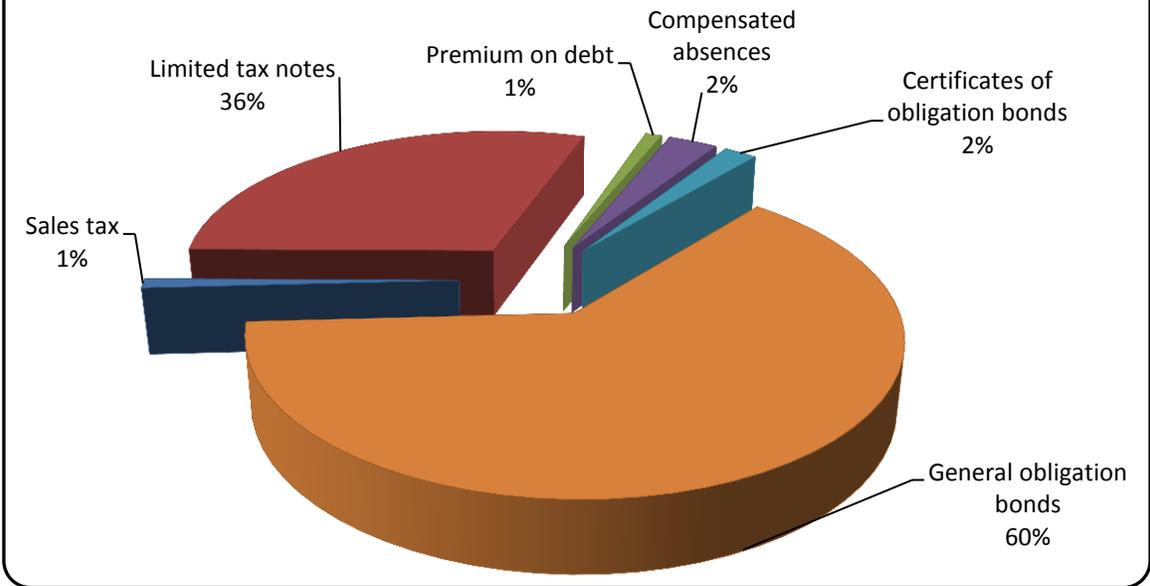
**HOOD COUNTY'S LONG-TERM DEBT
Bonds, Limited Tax Notes, Capital Leases,
Components of Debt, and Compensated Absences**

	Governmental Activities	
	September 30, 2013	September 30, 2012
General obligation bonds	\$ 9,785,000	\$ 10,340,000
Limited tax anticipation notes (TANs)	7,210,000	6,210,000
Excess sales tax	80,980	135,928
Premium on debt	134,997	146,247
Compensated absences	<u>561,634</u>	<u>491,837</u>
Total	<u>\$ 17,772,611</u>	<u>\$ 17,324,012</u>

2013 Debt Percentages



2012 Debt Percentages



All of the outstanding Bonds of the County payable from its limited taxes are insured and are, therefore, rated AA – stable outlook by Fitch Ratings and Standard & Poor’s.

Additional information on the County’s long-term debt can be found in the notes to the financial statements of this report.

During the current year, the County issued \$2,805,000 of tax anticipation notes at an interest rate of 1.61%. These resources will be used to fund various projects of the County.

Economic Factors and Next Year's Budgets and Rates

The annual budget is the means by which Commissioners' Court sets the direction of the County, and allocates its resources.

In considering the budget for FY 2014, Commissioners' Court considered the following factors:

- Property tax rates were increased four cents per \$100 taxable valuation for public safety salaries and a large decrease in appraised valuation of properties;
- The Sheriff's budget was increased by approval of substantial salary increases for deputies;
- Costs for employee health care insurance premiums increased somewhat; the County continued participation in the health care plan sponsored by the Texas Association of Counties.
- Funds were borrowed for construction of a new Animal Control facility;
- As of January 1, 2013, there was an additional Justice of the Peace sworn in, and an additional Constable, Precinct 1, pursuant to the elections of 2012.
- The County is pursuing grant funds to help recover some costs of the clean up from the tornado of May 2013;
- In the 2012 election, voters approved County construction of a recreational facility, at a cost not to exceed ten million dollars, that is, not to exceed ten million dollars of debt to the County. This project is pending negotiations for the construction contract to build a new YMCA recreation facility on real property purchased from the Granbury Independent School District.

Requests for Information

This financial report is designed to provide a general overview of Hood County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Hood County Auditor, 5417 Acton Hwy., Suite 106, Granbury, Texas 76049; or call (817) 579-3210.

**BASIC
FINANCIAL STATEMENTS**

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HOOD COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	\$ 18,110,259
Receivables, net:	
Taxes	726,271
Accounts	1,306,617
Due from other governments	976,034
Prepaid items	280,616
Inventories	59,945
Net pension asset	1,762,749
Bond issuance cost	213,695
Capital assets:	
Non-depreciable	7,978,038
Depreciable, net	<u>43,663,391</u>
Total capital assets	<u>51,641,429</u>
 Total assets	 <u>75,077,615</u>
LIABILITIES	
Accounts payable	1,500,752
Accrued interest	40,121
Unearned revenues	166,309
Noncurrent liabilities:	
Due within one year	2,916,669
Due in more than one year	<u>14,855,942</u>
Total liabilities	<u>19,479,793</u>
NET POSITION	
Net investment in capital assets	34,511,432
Restricted for:	
Records management	594,740
Judicial	737,956
Public safety	133,985
Culture and recreation	432,982
Debt service	962,147
Road and bridge	81,450
Unrestricted	<u>18,143,130</u>
 Total net position	 <u>\$ 55,597,822</u>

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

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HOOD COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 5,358,082	\$ 744,297	\$ 81,997	\$(4,531,788)
Judicial	3,985,428	1,693,028	214,014	(2,078,386)
Public facilities	869,507	-	-	(869,507)
Public safety	11,403,718	613,524	1,253,365	(9,536,829)
Public transportation	4,182,410	1,067,018	-	(3,115,392)
Health and welfare	422,748	298,778	151,367	27,397
Culture and recreation	567,163	-	4,380	(562,783)
Conservation	85,237	-	-	(85,237)
Interest on long-term debt	667,720	-	-	(667,720)
Total governmental activities	\$ 27,542,013	\$ 4,416,645	\$ 1,705,123	(21,420,245)
General revenues:				
				18,296,626
Property taxes				3,454,786
Sales and other taxes				32,777
Investment earnings				428,445
Miscellaneous				<u>22,212,634</u>
Total general revenues				
				792,389
Change in net position				
Net position, beginning				<u>54,805,433</u>
Net position, ending				<u>\$ 55,597,822</u>

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

HOOD COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General</u>	<u>Special Road and Bridge</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ 10,750,703	\$ 58,217	\$ 974,165
Receivables, net:			
Taxes	682,444	15,606	23,427
Accounts	1,298,391	185	310
Due from other governments	26,227	34,388	4,366
Due from other funds	493,625	-	-
Prepaid items	236,989	11,000	28,201
Inventories	-	59,945	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 13,488,379</u>	<u>\$ 179,341</u>	<u>\$ 1,030,469</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	903,559	146,581	-
Due to other funds	-	-	-
Deferred revenue	1,323,539	10,505	16,404
Total liabilities	<u>2,227,098</u>	<u>157,086</u>	<u>16,404</u>
Fund balances:			
Nonspendable:			
Prepaid items	236,989	11,000	28,201
Inventory	-	59,945	-
Restricted:			
Records management and preservation	-	-	-
Judicial	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Debt service	-	-	985,864
Committed:			
Capital projects	-	-	-
Assigned:			
General contingency	1,104,188	-	-
Public transportation	100,000	-	-
Judicial	60,000	-	-
Unassigned	9,760,104	(48,690)	-
Total fund balances	<u>11,261,281</u>	<u>22,255</u>	<u>1,014,065</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 13,488,379</u>	<u>\$ 179,341</u>	<u>\$ 1,030,469</u>

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

Office Equipment C & M	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,279,715	\$ 2,047,459	\$ 18,110,259
-	4,794	726,271
1,415	6,316	1,306,617
-	911,053	976,034
-	-	493,625
-	4,426	280,616
-	-	59,945
<u>\$ 4,281,130</u>	<u>\$ 2,974,048</u>	<u>\$ 21,953,367</u>
33,487	417,125	1,500,752
-	493,625	493,625
-	169,832	1,520,280
<u>33,487</u>	<u>1,080,582</u>	<u>3,514,657</u>
-	4,426	280,616
-	-	59,945
-	594,740	594,740
-	737,956	737,956
-	133,985	133,985
-	429,459	429,459
-	-	985,864
4,247,643	-	4,247,643
-	-	1,104,188
-	-	100,000
-	-	60,000
-	(7,100)	9,704,314
<u>4,247,643</u>	<u>1,893,466</u>	<u>18,438,710</u>
<u>\$ 4,281,130</u>	<u>\$ 2,974,048</u>	<u>\$ 21,953,367</u>

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HOOD COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds balance sheet		\$ 18,438,710
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,641,429
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Property taxes	\$ 108,603	
Adjudicated fines	<u>1,245,368</u>	
		1,353,971
Long-term liabilities, including bonds payable and tax anticipation notes, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(9,785,000)	
Premium on bonds	(134,997)	
Limited tax notes	(7,210,000)	
Excess sales tax	(80,980)	
Compensated absences	(561,634)	
Issuance costs of long-term debt	213,695	
Interest payable on long-term debt	<u>(40,121)</u>	
		(17,599,037)
Governmental funds report outlays for pension costs as expenditures. However, in the statement of activities the amount by which these outlays exceed the annual required contributions for the plan are not expenses. Instead these outlays are reported as an asset on the statement of net position.		<u>1,762,749</u>
Net position of governmental activities - statement of net position		<u>\$ 55,597,822</u>

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

HOOD COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Special Road and Bridge</u>	<u>Debt Service</u>
REVENUES			
Taxes	\$ 16,448,059	\$ 2,003,614	\$ 2,789,719
Intergovernmental	599,262	79,445	-
Charges for services	46,409	-	-
Fees of office	2,554,867	1,067,018	-
Forfeitures	-	-	-
Investment earnings	17,542	1,050	2,270
Miscellaneous	422,186	-	-
Total revenues	<u>20,088,325</u>	<u>3,151,127</u>	<u>2,791,989</u>
EXPENDITURES			
Current:			
General government	5,486,989	-	-
Judicial and legal	3,553,749	-	-
Public facilities	818,028	-	-
Public safety	9,705,044	-	-
Public transportation	-	3,325,433	-
Health and welfare	409,853	-	-
Culture and recreation	-	-	-
Conservation	85,045	-	-
Capital outlay	67,608	1,594	-
Debt service:			
Principal	54,948	-	2,360,000
Interest and other charges	-	-	612,997
Total expenditures	<u>20,181,264</u>	<u>3,327,027</u>	<u>2,972,997</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(92,939)</u>	<u>(175,900)</u>	<u>(181,008)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of tax anticipation notes	-	-	-
Proceeds from sale of capital assets	49,508	-	-
Transfers in	159,211	135,288	-
Transfers out	(479,233)	-	-
Total other financing sources and uses	<u>(270,514)</u>	<u>135,288</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(363,453)</u>	<u>(40,612)</u>	<u>(181,008)</u>
FUND BALANCES, BEGINNING	<u>11,624,734</u>	<u>62,867</u>	<u>1,195,073</u>
FUND BALANCES, ENDING	<u>\$ 11,261,281</u>	<u>\$ 22,255</u>	<u>\$ 1,014,065</u>

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

Office Equipment C & M	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 526,335	\$ 21,767,727
-	1,464,400	2,143,107
-	112,460	158,869
-	363,676	3,985,561
-	92,031	92,031
6,091	5,824	32,777
-	139,765	561,951
<u>6,091</u>	<u>2,704,491</u>	<u>28,742,023</u>
-	238,456	5,725,445
-	180,032	3,733,781
-	-	818,028
116,790	876,173	10,698,007
-	-	3,325,433
-	-	409,853
-	525,417	525,417
-	-	85,045
1,570,741	1,068,073	2,708,016
-	-	2,414,948
43,348	-	656,345
<u>1,730,879</u>	<u>2,888,151</u>	<u>31,100,318</u>
(1,724,788)	(183,660)	(2,358,295)
2,805,000	-	2,805,000
-	37,616	87,124
-	343,945	638,444
-	(159,211)	(638,444)
<u>2,805,000</u>	<u>222,350</u>	<u>2,892,124</u>
1,080,212	38,690	533,829
<u>3,167,431</u>	<u>1,854,776</u>	<u>17,904,881</u>
<u>\$ 4,247,643</u>	<u>\$ 1,893,466</u>	<u>\$ 18,438,710</u>

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HOOD COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Amounts reported for governmental activities in the Statement of Activities are different

Net change in fund balances - total governmental funds:		\$ 533,829
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 2,682,654	
Depreciation	<u>(2,197,937)</u>	484,717
<p>Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets.</p>		
		(110,061)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(16,315)	
Adjudicated fines	<u>(391,306)</u>	(407,621)
<p>The issuance of long-term debt (e.g., bonds, leases, tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.</p>		
Issuance of long-term debt	(2,805,000)	
Issuance costs of long-term debt	43,348	
Principal payments on long-term debt	<u>2,414,948</u>	(346,704)
<p>Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(69,797)	
Amortization of long-term debt issuance costs	(70,521)	
Amortization of premium on long-term debt	11,250	
Interest on long-term debt	<u>4,548</u>	(124,520)
<p>Governmental funds report outlays for pension costs as expenditures. However, in the statement of activities the amount by which these outlays exceed the annual required contributions for the plan are not expenses. Instead these outlays are reported as an asset on the statement of net position.</p>		
		<u>762,749</u>
Change in net position of governmental activities		<u>\$ 792,389</u>

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

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HOOD COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>2,288,025</u>
Total assets	\$ <u><u>2,288,025</u></u>
LIABILITIES	
Amounts held for others	\$ <u>2,288,025</u>
Total liabilities	\$ <u><u>2,288,025</u></u>

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

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HOOD COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Reporting Entity

Hood County, Texas (the "County") is a political subdivision of the State of Texas. The County is governed by the Commissioners' Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of County roads, public safety through the sheriff's department, health and welfare and judicial.

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. No component units are reported in this financial report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, Interfund activity has been removed from these statements; however, Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 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 among program revenue are reported instead as *general revenues*.

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.

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

The government-wide financial 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from property and sales taxes, grants and contracts, fees of office, forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenues from investments, including governmental external investment pools, are based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to 90 days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

The County reports Fiduciary Funds in the form of Agency Funds. These funds account for monies held on behalf of other entities. Fiduciary Fund Financial Statements include a Statement of Net Position. The County's Fiduciary Funds represent Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for on the accrual basis of accounting. Accordingly, all assets and liabilities are included on the Statement of Net Position. Because the assets are held in an agent capacity and are not available to support County programs, these funds are not included in the government-wide statements.

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of governmental funds and to provide a reserve for such payment.

The **Road and Bridge Special Revenue Fund** accounts for the property taxes and fees from auto registration, certificates of title, and gross weight and axle fees, and approved expenditures for public transportation projects.

The **Office Equipment C&M Capital Projects Fund** accounts for the bond proceeds authorized for acquisition and construction of capital projects, and for tax note and lease purchase proceeds for the acquisition of capital equipment.

Additionally, the County reports the following fiduciary fund:

Agency Funds account for assets that the County holds on behalf of others as their agent.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. Investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account.

2. Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the County is the responsibility of the Hood County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board in 1979 through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Under the Code, the Commissioners' Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The Appraisal District bills and collects property taxes for the County.

The County is permitted by Article VIII, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 assessed valuation for general governmental services including payment of principal and interest on general long-term debt and maintenance of roads and bridges. Article 6790 of Vernon's Civil Statutes permits the County to collect an additional \$0.15 per \$100 valuation for road and bridge purposes. Article 7048a of Vernon's Civil Statutes permits the County to collect \$0.30 per \$100 valuation for road, bridge and flood control purposes.

The County's 2012 tax levy, supporting the 2013 fiscal period budget, totaled \$0.343908 per \$100 valuation and was comprised as follows:

Constitutional levy:	
General fund	\$ 0.244725
Road and bridge fund (lateral road)	0.036950
Library fund	0.009867
Debt service	<u>0.052366</u>
Combined tax rate	<u>\$ 0.343908</u>

3. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." All outstanding balances between funds are reported as "due to/from other funds."

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Inventories

The County utilizes the consumption method to account for inventory. Under this method, inventory is considered an expenditure when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method and reported as nonspendable fund balance in the governmental fund financial statements since they do not constitute “available spendable resources” even though they are a component of current assets. Inventories in the governmental funds are comprised of road materials, bulk fuel and chemicals.

6. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, infrastructure, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of \$5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 50
Furniture, equipment and vehicles	5 - 20
Infrastructure	20 - 50

7. Compensated Absences

Employees are allowed paid absences due to sickness, vacation and compensatory time. Sick leave starts accruing three months from hire date. It accrues at a rate of 3.7 hours a pay period with a maximum of two hundred and forty (240). Employees are allowed to donate hours to a sick bank when the 240 hours is reached. The sick bank hours are then available to employees who max out their sick time in cases of serious illness. Sick leave benefits are recognized in the period in which time off is actually taken. Vacation benefits accrue monthly at rates depending upon an employee’s length of service. Vacation benefits must be taken annually and are limited to a carryover period depending upon the employee’s length of service.

Compensatory time represents time worked by employees in excess of 40 hours per week, and is earned at one and one-half times such hours worked. This applies to all non-exempt employees. Exempt employees are all department heads, supervisory personnel, and certain other professional or administrative positions. The maximum compensatory time an employee may accumulate without Commissioners’ Court approval is fifty (50) hours. All such paid absences are paid at the employee’s regular pay rate.

There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. Vacation and compensatory pay are accrued when incurred in the government-wide statements up to the amount the County pays upon termination of an employee. A liability for these amounts is reported in governmental funds only if they have matured for example, as a result of employee resignations and retirements.

8. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. The Commissioners’ Court has by resolution authorized the County Judge to assign fund balance with the assistance of the County Auditor and County Attorney, as needed.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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.

10. Net Position

Net position represents the difference between assets and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide statement of net position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

12. Deficit Fund Balance/Net Assets

The following funds had a deficit equity balance as of September 30, 2013:

Fund balances:	
Special revenue funds:	
TJJD juvenile probation programs	\$(7,100)

The deficit equity balances will be covered by future transfers from the General Fund.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash and temporary investments:		
TexPool	\$ 9,903,400	60
TexStar	<u>600,040</u>	52
Total fair value	<u>\$ 10,503,440</u>	

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized in an amount equal to 110 percent of uninsured balances. The County’s cash deposit in the bank of \$9,918,473 on September 30, 2013, was covered by federal depository insurance or collateral held by the County’s agent in the County’s name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds underwritten investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain 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 by Commissioners’ Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County’s management believes that it complied with the requirements of the PFIA and the County’s investment policy.

The County’s Investment Officer submits an investment report each quarter to the Commissioners’ Court. The report details the investment positions of the County and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and the Texas State law.

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 agencies and instrumentalities. Section 2256.009 (a) (1), PFIA and 116 Local Government Code;
2. Direct obligations of the State of Texas or its agencies and instrumentalities. Section 2256.009 (a) (2), PFIA and 116 Local Government Code;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. Section 2256.009 (a) (4), PFIA;
4. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state in accordance with Section 2256.010 (a) (1), PFIA: a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successors, or secured by obligations that are described by paragraphs 1 through 3 above which are intended to include all direct federal agency or instrumentality issued mortgage-backed securities, but excluding those mortgage-backed securities of the nature described in Section 2256.009 (b) of the PFIA, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the County; b) governed by a Depository Agreement that complies with federal and state regulation to properly secure a pledged security interest and; c) solicited for bid orally, in writing, electronically, or any combination of these methods. Section 2256.005 (c) (1-4), PFIA; and
5. Eligible investment pools organized and operating in compliance with the PFIA that have been authorized by the Commissioners' Court; and those investment philosophies and strategies are consistent with this policy and the County's ongoing investment strategy. Disclosures of compliance with Section 2256.0016 of the PFIA must be submitted by the pool. Investment pools created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a net asset value of \$1 (one dollar).

Further, the County's investment policy provides limitations on types of investments, including funds maintained in the depository bank, which may be held as follows.

U. S. Treasury bills/notes/bonds	100%
U. S. agencies and instrumentalities	100%
States, counties, cities and other	50%
Certificates of deposit	50%
Eligible investment pools	90%

The County's investment policy does not cover investments (trust funds) controlled by County courts and held by various financial institutions jointly under the name of the County and the Court's beneficiaries and carrying the identification number of the beneficiaries.

The County participates in two Local Government Investment Pools (LGIP), TexPool and TexStar. The State Comptroller oversees TexPool with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexStar, an advisory board consisting of participants or their designees maintains oversight responsibility for TexStar.

The County invests in TexPool and TexStar to provide its liquidity needs. TexPool and TexStar are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexStar are 2(a) 7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool and TexStar are rated AAAM and must maintain a dollar-weighted average maturity not to exceed 60 days, which is the limit.

Credit Risk. As of September 30, 2013, the LGIPs (which represent approximately 96.6% of the County's investment portfolio) are rated AAAM by Standard & Poor's or AAA by Fitch. The certificate of deposit (which represents approximately 3.4% of the County's investment portfolio) is insured and covered by collateral held by the County's agent in the County's name.

It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County's investment pools are rated as follows by Standard & Poor's Investors Service.

TexPool	AAAM
TexStar	AAAM

B. Receivables, Uncollectible Accounts and Deferred Revenues

Receivables and Allowances

Receivables as of year-end for the County's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Total
	General	Special Road and Bridge	Debt Service	Office Equipment C&M	Other Governmental Funds	
Receivables:						
Taxes	\$ 1,048,443	\$ 84,085	\$ 108,182	\$ -	\$ 20,207	\$ 1,260,917
Accounts	53,023	185	310	1,415	6,316	61,249
Adjudicated fine receivable	<u>4,981,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,981,473</u>
Gross receivables	6,082,939	84,270	108,492	1,415	26,523	6,303,639
Less: allowance for uncollectibles	<u>4,102,104</u>	<u>68,479</u>	<u>84,755</u>	<u>-</u>	<u>15,413</u>	<u>4,270,751</u>
Net total receivables	<u>\$ 1,980,835</u>	<u>\$ 15,791</u>	<u>\$ 23,737</u>	<u>\$ 1,415</u>	<u>\$ 11,110</u>	<u>\$ 2,032,888</u>

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

<u>Receivable Fund</u>	<u>Unavailable</u>	<u>Unearned</u>
General		
Delinquent property tax receivable	\$ 78,171	\$ -
Fines	<u>1,245,368</u>	<u>-</u>
Total general	<u>1,323,539</u>	<u>-</u>
Road and bridge		
Delinquent property tax receivable	<u>10,505</u>	<u>-</u>
Total road and bridge	<u>10,505</u>	<u>-</u>
Debt service		
Delinquent property tax receivable	<u>16,404</u>	<u>-</u>
Total debt service	<u>16,404</u>	<u>-</u>
Other governmental		
Delinquent property tax receivable	3,523	-
Grants	-	31,024
Other	<u>-</u>	<u>135,285</u>
Total other governmental	<u>3,523</u>	<u>166,309</u>
Totals	<u>\$ 1,353,971</u>	<u>\$ 166,309</u>

C. Interfund Balances and Transactions

Due to/from Other Funds

The composition of interfund balances as of September 30, 2013, is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Total</u>
General	Nonmajor	\$ <u>493,625</u>
		<u>\$ 493,625</u>

All balances of the due to/due from resulted from short-term loans that are to be reimbursed within the next year.

Interfund Transfers

	Transfer In			Total
	General	Special Road and Bridge	Nonmajor Governmental	
Transfer out:				
General	\$ -	\$ 135,288	\$ 343,945	\$ 479,233
Nonmajor governmental	<u>159,211</u>	<u>-</u>	<u>-</u>	<u>159,211</u>
	<u>\$ 159,211</u>	<u>\$ 135,288</u>	<u>\$ 343,945</u>	<u>\$ 638,444</u>

The Commissioners' Court approved these transfers as transfers of operational funds to cover planned expenditures.

D. Capital Assets

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

	Balance 09/30/12	Additions	Deletions	Balance 09/30/13
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,621,112	\$ -	\$ -	\$ 6,621,112
Construction in progress	<u>347,811</u>	<u>1,009,115</u>	<u>-</u>	<u>1,356,926</u>
Total assets not being depreciated	<u>6,968,923</u>	<u>1,009,115</u>	<u>-</u>	<u>7,978,038</u>
Capital assets, being depreciated:				
Buildings and improvements	28,603,927	7,599	-	28,611,526
Furniture, equipment and vehicles	13,237,029	1,665,940	(490,659)	14,412,310
Infrastructure	<u>44,696,558</u>	<u>-</u>	<u>-</u>	<u>44,696,558</u>
Total capital assets being depreciated	<u>86,537,514</u>	<u>1,673,539</u>	<u>(490,659)</u>	<u>87,720,394</u>
Less accumulated depreciation:				
Buildings and improvements	5,730,762	603,457	-	6,334,219
Furniture, equipment and vehicles	7,586,204	996,793	(380,598)	8,202,399
Infrastructure	<u>28,922,698</u>	<u>597,687</u>	<u>-</u>	<u>29,520,385</u>
Total accumulated depreciation	<u>42,239,664</u>	<u>2,197,937</u>	<u>(380,598)</u>	<u>44,057,003</u>
Total capital assets being depreciated, net	<u>44,297,850</u>	<u>(524,398)</u>	<u>(110,061)</u>	<u>43,663,391</u>
Governmental activities capital assets, net	<u>\$ 51,266,773</u>	<u>\$ 484,717</u>	<u>\$ (110,061)</u>	<u>\$ 51,641,429</u>

Depreciation expense was charged to functions of the County as follows:

Governmental activities:	
General government	\$ 321,437
Judicial and legal	243,240
Public facilities	49,636
Public safety	681,606
Public transportation	849,484
Health and welfare	11,971
Culture and recreation	<u>40,563</u>
 Total depreciation expense - governmental activities	 \$ <u>2,197,937</u>

E. Long-term Debt

General Obligation Debt

General obligation bonds and certificates of obligation payable at September 30, 2013, are summarized as follows:

	Interest Rate	Series Dates		Amount Outstanding 09/30/13
		Issued	Maturity	
General obligation:				
Refunding bonds, Series 2003	3.25%	2004	2014	\$ 415,000
Refunding bonds, Series 2008	4.05%	2008	2029	5,565,000
Refunding bonds, Series 2009	4.00% - 4.125%	2009	2023	<u>3,805,000</u>
				 \$ <u>9,785,000</u>

Annual debt service requirements to maturity for general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	Principal	Interest	Total Requirement
2014	\$ 595,000	\$ 388,052	\$ 983,052
2015	390,000	363,143	753,143
2016	410,000	347,119	757,119
2017	425,000	330,394	755,394
2018	445,000	312,968	757,968
2019-2023	2,505,000	1,276,903	3,781,903
2024-2028	4,095,000	614,081	4,709,081
2029	<u>920,000</u>	<u>18,360</u>	<u>938,360</u>
	 <u>\$ 9,785,000</u>	 <u>\$ 3,651,020</u>	 <u>\$ 13,436,020</u>

During the year ended September 30, 2004, the County issued \$3,755,000 in General Obligation Refunding Bonds, Series 2003, for the purpose of refunding the remaining portion of the Certificates of Obligation, Series 1994. These general obligation bonds bear interest at a rate of 3.25% and were scheduled to be retired over a period of 11 years, beginning in 2004. The Certificates of Obligation, Series 1994 were refunded in their entirety at the time of the refunding.

On August 18, 2008, the County sold \$5,730,000 of General Obligation Refunding Bonds, Series 2008. These refunding bonds (Series 2008) were issued for the purpose of generating resources and decreasing the total debt service payments.

On May 26, 2009, the County sold \$4,180,000 of General Obligation Refunding Bonds, Series 2009. These refunding bonds (Series 2009) were issued for the purpose of generating resources and decreasing the total debt service payments.

On August 22, 2013 the County sold \$2,805,000 of Tax Notes, Series 2013. These notes were issued for the purpose of construction of any public work and for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes.

Prior Year Defeasance of Bonds

In prior years, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. On September 30, 2013, there are no bonds considered defeased.

Limited Tax Notes

Limited tax notes payable at September 30, 2013, are summarized as follows:

	Amount Issued	Interest Rate	Series Dates		Amount Outstanding 09/30/13
			Issued	Maturity	
Series 2008	\$ 3,395,000	3.29%	2008	2015	\$ 710,000
Series 2011	1,845,000	2.065%	2011	2018	1,510,000
Series 2012	2,500,000	1.17%	2012	2017	2,185,000
Series 2013	2,805,000	1.61%	2013	2020	<u>2,805,000</u>
					<u>\$ 7,210,000</u>

Annual debt service requirements to maturity of limited tax note requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 1,750,000	\$ 1,019,142	\$ 2,769,142
2015	1,455,000	80,137	1,535,137
2016	1,115,000	56,633	1,171,633
2017	1,140,000	38,688	1,178,688
2018	785,000	22,572	807,572
2019-2021	<u>965,000</u>	<u>15,577</u>	<u>980,577</u>
	<u>\$ 7,210,000</u>	<u>\$ 1,232,749</u>	<u>\$ 8,442,749</u>

Excess Sales Tax

During the year ended September 30, 2009, the state comptroller notified the County that excess sales tax in the amount of \$219,790 had been paid to the County in error. The County negotiated a payback schedule of 48 months at \$4,579 per month beginning with the October 2009 payment and ending September 2013. No interest is payable on the excess balance. During the year ended September 30, 2012, the state comptroller notified the County that excess sales tax in the amount of \$90,138 had been paid to the County in error in addition to what had previously been overpaid. The state agreed to extend the original payback agreement for 32 months at the original monthly deduction amount. A final 33rd payment in the amount of \$3,138 will be paid in June 2015.

The following is a summary payment schedule agreed upon by the state comptroller as of September 30, 2013:

<u>Year Ending September 30,</u>	
2014	\$ 54,948
2015	<u>26,032</u>
	<u>\$ 80,980</u>

Changes in Long-term Debt

Long-term activity for the year ended September 30, 2013, was as follows:

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2013</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$ 10,340,000	\$ -	\$ 555,000	\$ 9,785,000	\$ 595,000
Premium on bonds	146,247		11,250	134,997	11,250
Limited tax notes	6,210,000	2,805,000	1,805,000	7,210,000	1,750,000
Excess sales tax	135,928		54,948	80,980	54,948
Compensated absences	<u>491,837</u>	<u>621,051</u>	<u>551,254</u>	<u>561,634</u>	<u>505,471</u>
Total governmental activities	<u>\$ 17,324,012</u>	<u>\$ 3,426,051</u>	<u>\$ 2,977,452</u>	<u>\$ 17,772,611</u>	<u>\$ 2,916,669</u>

Compensated absences are typically funded with the General and Road and Bridge Funds.

F. Operating Leases

The County is involved in an operating lease for copiers. The minimum future rental payments on noncancelable leases as of September 30, 2013, are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2014	\$ 153,595
2015	147,274
2016	147,274
2017	135,466
2018	<u>67,750</u>
	<u>\$ 651,359</u>

III. OTHER INFORMATION

A. Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCERS (TCERS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 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 governing body of the employer within the actuarial constraints imposed by the TCERS 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 TCERS Act.

Funding Policy

The County has elected the annually determined contribution rate (“ADCR”) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 7.56% for the months of the accounting year in 2012, and 7.24% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar years 2013 and 2012 is the rate of 6%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

A. Retirement Plan

Annual Pension Cost

For the year ended September 30, 2013, the County’s annual pension costs and net pension asset were as follows:

Annual required contribution (ARC)	\$	902,742
Interest on net pension asset	(90,000)
Adjustment to ARC		<u>77,252</u>
Annual pension cost		889,994
Contributions made	(1,652,742)
Net pension asset, beginning of year	(<u>1,000,000</u>)
Change in net pension asset	(<u>762,748</u>)
Net pension asset, end of year	\$(<u>1,762,748</u>)

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2011 and December 31, 2012, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

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-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr 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%

¹Includes inflation at the state rate

Trend Information for the Retirement Plan for the Employees of Hood County

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/11	941,713	100%	-
09/30/12	883,850	213%	(1,000,000)
09/30/13	889,994	186%	(1,762,748)

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation completed, is presented as follows:

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2012	\$ 20,433,308	\$ 21,454,451	\$ 1,021,143	95.24%	\$ 11,808,546	8.65%

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

B. Post Employment Group Term Life Insurance Plan

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 the 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' CAFR may also be obtained by writing to the Texas County and District Retirement System, P. O. Box 2034, Austin, Texas 78768-2034.

Funding Policy

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's contributions to the GTLF for the years ended September 30, 2013, 2012, and 2011 were \$32,088.94, \$30,177, and \$37,258, respectively, which equaled the contractually required contributions each year.

C. 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; injuries to employees; and natural disasters. The County purchases workers' compensation insurance coverage from the Texas Association of Counties Self-insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for the claims in excess of \$300,000. The County maintains commercial insurance coverage covering other risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. There have been no significant reductions in insurance coverage.

D. Contingencies

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the County.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. A contingent liability was not established because potential reimbursements are considered immaterial.

E. Subsequent Event

On December 30, 2013 the County sold \$6,500,000 Limited Tax Bonds, Series 2013. The bonds are payable in annual installments with 2.28% interest and mature in February 2024.

F. New Accounting Principles

Significant new accounting standards not yet implemented by the County include the following.

Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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HOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 17,269,966	\$ 17,269,966	\$ 16,448,059	\$(821,907)
Intergovernmental	362,320	547,320	599,262	51,942
Charges for services	29,000	43,550	46,409	2,859
Fees of office	2,397,000	2,397,000	2,554,867	157,867
Investment earnings	25,000	25,000	17,542	(7,458)
Miscellaneous	332,150	354,360	422,186	67,826
Total revenues	20,415,436	20,637,196	20,088,325	(548,871)
EXPENDITURES				
Current:				
General government:				
Commissioners' court	396,892	396,892	388,424	8,468
County judge	167,334	158,334	155,629	2,705
County clerk	520,700	514,700	510,622	4,078
Veteran's service	58,745	49,745	44,718	5,027
Nondepartmental	2,219,300	2,312,710	1,927,914	384,796
Risk management	642,190	558,190	399,136	159,054
Mailroom	144,425	144,425	95,283	49,142
Purchasing	170,441	170,441	166,873	3,568
Human resources	159,997	144,997	142,481	2,516
County auditor	268,727	268,727	261,491	7,236
County treasurer	184,318	177,818	167,169	10,649
County tax assessor/collector	435,826	413,826	390,713	23,113
Voter registration	38,239	38,239	37,682	557
Information systems	767,749	767,749	688,616	79,133
Elections	134,282	138,157	110,238	27,919
Total general government	6,309,165	6,254,950	5,486,989	767,961
Judicial:				
County court	76,778	67,778	55,150	12,628
County court-at-law judge	270,169	269,969	268,358	1,611
County court-at-law	314,914	323,364	319,596	3,768
District judge	135,135	135,135	130,923	4,212
District court	487,208	508,208	490,647	17,561
District clerk	392,349	382,349	369,985	12,364
Justice of the peace, precincts 1 and 2	298,280	290,280	274,808	15,472
Justice of the peace, precinct 3	182,975	182,975	178,696	4,279
Justice of the peace, precinct 4	182,285	173,285	163,643	9,642
County attorney	689,784	682,984	652,012	30,972
District attorney	598,826	597,723	586,740	10,983
Jury	79,500	79,500	63,191	16,309
Total judicial	3,708,203	3,693,550	3,553,749	139,801
Public facilities:				
Buildings and grounds	907,191	882,691	817,883	64,808
Total public facilities	907,191	882,691	817,883	64,808

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public safety:				
Fire protection	\$ 293,876	\$ 291,376	\$ 241,097	\$ 50,279
Fire marshal	273,540	269,040	249,286	19,754
Civil process services	61,284	52,284	50,840	1,444
Constable, precincts 1 and 2	217,746	219,646	211,790	7,856
Constable, precincts 3 and 4	252,268	252,268	245,755	6,513
Sheriff, administration	3,676,002	3,687,233	3,626,725	60,508
Sheriff, dispatch	903,036	898,156	862,695	35,461
Sheriff, civil	3,000	3,000	21,953	(18,953)
Justice center security contract	228,747	228,747	224,561	4,186
Highway patrol	91,370	91,370	90,967	403
911 Coordinator	53,270	53,270	52,259	1,011
Animal control	304,868	297,198	279,058	18,140
Jail	3,358,158	3,578,633	3,218,887	359,746
Juvenile probation	370,580	370,580	311,963	58,617
Adult probation	17,825	17,825	17,353	472
Total public safety	<u>10,105,570</u>	<u>10,310,626</u>	<u>9,705,189</u>	<u>605,437</u>
Public transportation:				
Road operations	<u>40,000</u>	-	-	-
Total public transportation	<u>40,000</u>	-	-	-
Health and welfare:				
County health	266,391	266,391	247,432	18,959
Environmental protection	117,648	132,048	111,306	20,742
Public assistance	<u>61,000</u>	<u>61,000</u>	<u>51,115</u>	<u>9,885</u>
Total health and welfare	<u>445,039</u>	<u>459,439</u>	<u>409,853</u>	<u>49,586</u>
Conservation:				
County extension agent	<u>89,206</u>	<u>89,206</u>	<u>85,045</u>	<u>4,161</u>
Total conservation	<u>89,206</u>	<u>89,206</u>	<u>85,045</u>	<u>4,161</u>
Total current expenditures	21,604,374	21,690,462	20,058,708	1,631,754
Capital outlay	3,700	72,612	67,608	5,004
Debt service:				
Principal	<u>54,948</u>	<u>54,948</u>	<u>54,948</u>	-
Total expenditures	<u>21,663,022</u>	<u>21,818,022</u>	<u>20,181,264</u>	<u>1,636,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,247,586)</u>	<u>(1,180,826)</u>	<u>(92,939)</u>	<u>(1,087,887)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	30,000	51,903	49,508	(2,395)
Transfers in	1,844	43,571	159,211	115,640
Transfers out	<u>(144,288)</u>	<u>(489,788)</u>	<u>(479,233)</u>	<u>10,555</u>
Total other financing sources and uses	<u>(112,444)</u>	<u>(394,314)</u>	<u>(270,514)</u>	<u>123,800</u>
NET CHANGE IN FUND BALANCE	(1,360,030)	(1,575,140)	(363,453)	1,211,687
FUND BALANCE, BEGINNING	<u>11,624,734</u>	<u>11,624,734</u>	<u>11,624,734</u>	-
FUND BALANCE, ENDING	<u>\$ 10,264,704</u>	<u>\$ 10,049,594</u>	<u>\$ 11,261,281</u>	<u>\$ 1,211,687</u>

HOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,039,360	\$ 2,039,360	\$ 2,003,614	\$(35,746)
Intergovernmental	65,000	65,000	79,445	14,445
Fees of office	1,260,000	1,261,325	1,067,018	(194,307)
Investment earnings	3,000	3,000	1,050	(1,950)
Total revenues	<u>3,367,360</u>	<u>3,368,685</u>	<u>3,151,127</u>	<u>(217,558)</u>
EXPENDITURES				
Current:				
Public transportation:				
Operations	3,759,157	3,758,882	3,282,298	476,584
Appraisals	57,000	57,000	42,545	14,455
Development	2,520	2,520	590	1,930
Total expenditures	<u>3,818,677</u>	<u>3,820,002</u>	<u>3,327,027</u>	<u>492,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(451,317)</u>	<u>(451,317)</u>	<u>(175,900)</u>	<u>275,417</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	135,288	135,288	135,288	-
Total other financing sources and uses	<u>135,288</u>	<u>135,288</u>	<u>135,288</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(316,029)	(316,029)	(40,612)	275,417
FUND BALANCE, BEGINNING	<u>62,867</u>	<u>62,867</u>	<u>62,867</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$(253,162)</u></u>	<u><u>\$(253,162)</u></u>	<u><u>\$ 22,255</u></u>	<u><u>\$ 275,417</u></u>

HOOD COUNTY, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2013

Budgetary Information

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the department level of each fund. Any expenditure, which alters the total budgeted amounts of a fund, must be approved by Commissioners' Court, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the General Fund, all Special Revenue Funds, except certain funds (County Attorney Collection Fee, District Attorney, Sheriff Forfeiture, Sheriff Commissary, Alternative Dispute Resolution Fees), and the Debt Service Fund. Project length budgets are adopted for Capital Projects Funds.

The County follows these procedures in establishing the budgetary data reflected in the financial report. The County Judge has departmental meetings with management to determine the departmental budget requests; the County Judge, assisted by the County Auditor, submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October. The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances after proper publication of notice, a public hearing is conducted by the Commissioners' Court to obtain taxpayer comments (if an increase to the effective tax rate of more than 3% is proposed as a result of the proposed budget, additional notices and public hearings are required); after the public hearing(s) the Commissioners' Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting on or before October 1. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is department level of each fund, the County adopts its budget at a line-item level for internal managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of Commissioners' Court. Amendments to provide for items not included in the original budget may be made by the Commissioners' Court upon finding and declaration of the existence of an emergency sufficient to require action. County management can, with the exception of personnel items, make adjustments to their budgets within the department level. Appropriations not exercised in the current year lapse at the end of the year.

HOOD COUNTY, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2013

Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

HOOD COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	16,152,903	18,416,060	2,263,157	87.71%	12,131,230	18.66%
2011	18,532,313	19,988,869	1,456,556	92.71%	11,967,381	12.17%
2012	20,433,308	21,454,451	1,021,143	95.24%	11,808,546	8.65%

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

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney – This fund is used to account for monies received from fees collected on the payment of hot checks and revenue specific to the District Attorney’s office and to account for monies received from the state, for the benefit of the District Attorney’s office. Expenditures are used to improve the operation of the District Attorney’s office.

District Attorney Forfeiture – This fund is used to account for the award of property and cash from drug seizures. These proceeds are available for use by the District Attorney to improve the operations of the office or expended in future drug related activities. This fund also accounts for previously forfeited funds held by the STOP Narcotics Task Force pursuant to Chapter 59, Texas Criminal Code, that were disbursed to the partner law enforcement agencies of the STOP Narcotics Task Force when this agency was dissolved by agreement of the partner law enforcement agencies.

County Attorney Collection Fee – This fund is used to account for monies received from fees collected on the payment of hot checks and revenues specific to the County Attorney’s office. Expenditures are used to improve the operation of the County Attorney’s office.

Grants – This fund accounts for intergovernmental revenues from federal and state sources that the County receives for various projects. Each grant’s revenue is restricted to the use intended for the grant.

Judges’ Education – This fund is used to account for fees collected from County court cases specific to offset the expenditures of continuing professional education requirements of the County and District judges.

Courthouse Security – This fund is used to account for revenue derived from fees collected by the County and District Clerks for the purpose of providing security measures for the County and District courts.

Justice Court Technology – This fund accounts for the mandate that each justice court in Hood County assess a technology fee of \$4.00 as cost of court on each conviction, as defined by Art. 102.0173, Code of Criminal Procedure, for a fine-only misdemeanor committed on or after January 1, 2002. The use of this fee is restricted to the purchase of technological enhancements for a justice court.

Records Management – This fund is used to account for specific fees collected by the County Clerk. These funds are to be utilized for records preservation and automation of the record retention in the County Clerk’s office.

Records Preservation – This fund is used to account for specific fees collected by the County Clerk and District Clerk. These funds are to be utilized for records preservation and record retention County offices.

Time Payment Collection Fee – This fund is used to account for fees collected by the County Clerk, District Clerk, Justice of the Peace Precincts 1 and 2, and Justice of the Peace Precincts 3 and 4, for the purpose of improving the efficiency of the respective offices.

Sheriff Forfeiture – This fund is used to account for the award of property and cash from drug seizures. These proceeds are available for use by the Sheriff to improve the operations of the office or expended in future drug related activities.

Sheriff Commissary – This fund is used to account for jail inmates' purchases of food, toiletry items, and other supplies. Expenditures are for the purchase of stock and profits generated may be used by the Sheriff to purchase items for the benefit of the inmate population.

Truant Officer – This fund is used to account for the intergovernmental revenues collected from Granbury Independent School District to provide the services of a truant officer. These funds are to offset the costs of administering the program out of Precincts 3 and 4 Constables' office.

Abandoned Vehicle – This fund is used to account for funds collected from the storage and sale of abandoned vehicles. Expenditures are for the costs of towing, processing and auctioning of these vehicles.

TJJD Juvenile Probation Programs – This fund accounts for revenues received from the Texas Juvenile Justice Department to supplement expenditures of the County in administering a Juvenile Probation Department. This fund accounts for four Texas Juvenile Justice Department programs as follows: TJJD – State Aid which accounts for revenues received from the Texas Juvenile Justice Department to supplement expenditures of the County in administering a Juvenile Probation Department; TJJD – Progressive Sanctions JPO which pays only for salaries and/or fringe benefits, supplies or other miscellaneous expenses of Juvenile Probation Officers (JPO) hired under this grant. The JPO duties include supervising juveniles on Levels I, II, or III of the Progressive Sanctions Model; TJJD – Progressive Sanctions Level 1-2-3 which is solely for the provision of probation services within the three budget categories of staff services, non-residential services and residential services. This program provides funds for the creation of new programs or to enhance existing programs for juveniles who are assigned to Levels I, II, or III of the Progressive Sanctions Model; and TJJD – Salary Adjustment Funding which accounts for revenues received from the Texas Juvenile Justice Department to adjust the salaries of eligible fulltime certified juvenile probation officers. The County operates under an approved budget with the TJJD and submits reports quarterly with an annual contract report submitted as of each fiscal year ended August 31.

Law Library – This fund accounts for the cost of operating and maintaining a law library for public use. Revenues are derived from law library fees assessed against each civil case filed in District and County courts.

County Library – This fund is used to account for property tax collections and library user fees. Expenditures are for the costs of maintaining the County public library, including personnel costs and the purchase of books.

Library Special – This fund is used to account for donations by public users of the library, which are to be utilized for improvements to and the enhancement of the library.

Alternative Dispute Resolution Fees – This fund is used to account for fees dedicated to a process for peaceable and expeditious resolution of citizen disputes, i.e., mediation or arbitration among individuals who have ongoing relationships such as relatives, neighbors, landlords and tenants, or merchants and consumers.

County Attorney Forfeitures – This fund is used to account for proceeds from forfeitures of contraband seized by the County Attorney. These proceeds are available to the County Attorney for legitimate law enforcement activities of the County Attorney office.

CAPITAL PROJECTS FUNDS

The Capital Projects Fund accounts for proceeds from grants and debt issuances, or local resources authorized for acquisition and construction of capital projects.

Courts Facility – This fund accounts for grant proceeds for the construction of the Justice Center under a state program for energy efficiency and conservation.

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Special Revenue Funds		
	District Attorney	District Attorney Forfeiture	County Attorney Collection Fee
ASSETS			
Cash and investments	\$ 18,494	\$ 96,550	\$ 43,559
Receivables, net:			
Taxes	-	-	-
Accounts	-	383	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Total assets	\$ 18,494	\$ 96,933	\$ 43,559
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Records management and preservation	-	-	-
Judicial	18,494	96,933	43,559
Public safety	-	-	-
Culture and recreation	-	-	-
Unassigned	-	-	-
Total fund balances	18,494	96,933	43,559
Total liabilities and fund balances	\$ 18,494	\$ 96,933	\$ 43,559

Special Revenue Funds

Grants	Judges Education	Courthouse Security	Justice Court Technology	Records Management	Records Preservation	Time Payment Collection Fee
\$ 48,417	\$ 5,924	\$ 146,580	\$ 83,623	\$ 514,331	\$ 164,455	\$ 73,042
-	-	-	-	-	-	-
-	2	1,448	1,410	145	61	82
847,637	-	-	-	-	-	-
<u>-</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 896,054</u>	<u>\$ 6,602</u>	<u>\$ 148,028</u>	<u>\$ 85,033</u>	<u>\$ 514,476</u>	<u>\$ 164,516</u>	<u>\$ 73,124</u>
\$ 348,693	\$ -	\$ -	\$ 3,558	\$ 1,994	\$ -	\$ -
491,406	-	2,219	-	-	-	-
31,024	-	-	-	-	-	-
<u>871,123</u>	<u>-</u>	<u>2,219</u>	<u>3,558</u>	<u>1,994</u>	<u>-</u>	<u>-</u>
-	676	-	-	-	-	-
-	-	-	-	512,482	82,258	-
-	5,926	145,809	81,475	-	82,258	73,124
24,931	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>24,931</u>	<u>6,602</u>	<u>145,809</u>	<u>81,475</u>	<u>512,482</u>	<u>164,516</u>	<u>73,124</u>
<u>\$ 896,054</u>	<u>\$ 6,602</u>	<u>\$ 148,028</u>	<u>\$ 85,033</u>	<u>\$ 514,476</u>	<u>\$ 164,516</u>	<u>\$ 73,124</u>

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds		
	Sheriff Forfeiture	Sheriff Commissary	Truant Officer
ASSETS			
Cash and investments	\$ 2,762	\$ 15,979	\$ 67,334
Receivables, net:			
Taxes	-	-	-
Accounts	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Total assets	\$ 2,762	\$ 15,979	\$ 67,334
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,310
Due to other funds	-	-	-
Deferred revenue	-	-	58,400
Total liabilities	-	-	59,710
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Records management and preservation	-	-	-
Judicial	-	-	-
Public safety	2,762	15,979	7,624
Culture and recreation	-	-	-
Unassigned	-	-	-
Total fund balances	2,762	15,979	7,624
Total liabilities and fund balances	\$ 2,762	\$ 15,979	\$ 67,334

Special Revenue Funds

Abandoned Vehicle	TJJD Juvenile Probation Programs	Law Library	County Library	Library Special	Alternative Dispute Resolution Fees	County Attorney Forfeitures
\$ 81,919	\$ 36,382	\$ 35,553	\$ 444,124	\$ 11,587	\$ 128,825	\$ 28,019
-	-	-	4,794	-	-	-
2,530	-	10	242	3	-	-
-	62,603	-	805	-	8	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 84,449</u>	<u>\$ 98,985</u>	<u>\$ 35,563</u>	<u>\$ 453,715</u>	<u>\$ 11,590</u>	<u>\$ 128,833</u>	<u>\$ 28,019</u>
\$ 1,760	\$ 29,200	\$ 2,037	\$ 27,931	\$ 642	\$ -	\$ -
-	-	-	-	-	-	-
-	76,885	-	3,523	-	-	-
<u>1,760</u>	<u>106,085</u>	<u>2,037</u>	<u>31,454</u>	<u>642</u>	<u>-</u>	<u>-</u>
-	-	-	3,750	-	-	-
-	-	-	-	-	-	-
-	-	33,526	-	-	128,833	28,019
82,689	-	-	-	-	-	-
-	-	-	418,511	10,948	-	-
-	(7,100)	-	-	-	-	-
<u>82,689</u>	<u>(7,100)</u>	<u>33,526</u>	<u>422,261</u>	<u>10,948</u>	<u>128,833</u>	<u>28,019</u>
<u>\$ 84,449</u>	<u>\$ 98,985</u>	<u>\$ 35,563</u>	<u>\$ 453,715</u>	<u>\$ 11,590</u>	<u>\$ 128,833</u>	<u>\$ 28,019</u>

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue	Total Nonmajor Governmental Funds
	Total Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and investments	\$ 2,047,459	\$ 2,047,459
Receivables, net:		
Taxes	4,794	4,794
Accounts	6,316	6,316
Due from other governments	911,053	911,053
Prepaid items	4,426	4,426
Total assets	\$ 2,974,048	\$ 2,974,048
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 417,125	\$ 417,125
Due to other funds	493,625	493,625
Deferred revenue	169,832	169,832
Total liabilities	1,080,582	1,080,582
Fund balances:		
Nonspendable:		
Prepaid items	4,426	4,426
Restricted:		
Records management and preservation	594,740	594,740
Judicial	737,956	737,956
Public safety	133,985	133,985
Culture and recreation	429,459	429,459
Unassigned	(7,100)	(7,100)
Total fund balances	1,893,466	1,893,466
Total liabilities and fund balances	\$ 2,974,048	\$ 2,974,048

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HOOD COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds		
	District Attorney	District Attorney Forfeiture	County Attorney Collection Fee
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	22,488	-	-
Charges for services	-	-	-
Fees of office	29,540	-	9,872
Forfeitures	-	41,356	-
Investment income	3	338	-
Miscellaneous	-	-	-
Total revenues	52,031	41,694	9,872
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	52,269	20,819	27,188
Public safety	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	17,300
Total expenditures	52,269	20,819	44,488
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(238)	20,875	(34,616)
OTHER FINANCING SOURCES (USES)			
Proceeds on sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(238)	20,875	(34,616)
FUND BALANCES, BEGINNING	18,732	76,058	78,175
FUND BALANCES, ENDING	\$ 18,494	\$ 96,933	\$ 43,559

Special Revenue Funds

Grants	Judges Education	Courthouse Security	Justice Court Technology	Records Management	Records Preservation	Time Payment Collection Fee
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
924,977	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	41,439	17,416	167,482	39,913	13,504
-	-	-	-	-	-	-
2,521	11	229	-	1,051	262	-
39,340	1,195	-	-	-	-	-
<u>966,838</u>	<u>1,206</u>	<u>41,668</u>	<u>17,416</u>	<u>168,533</u>	<u>40,175</u>	<u>13,504</u>
19,750	-	-	-	218,706	-	-
17,369	873	-	14,413	-	-	-
294,985	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,004,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,336,725</u>	<u>873</u>	<u>-</u>	<u>14,413</u>	<u>218,706</u>	<u>-</u>	<u>-</u>
(369,887)	333	41,668	3,003	(50,173)	40,175	13,504
-	-	-	-	-	-	-
343,945	-	-	-	-	-	-
(610)	-	-	-	-	-	-
<u>343,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(26,552)	333	41,668	3,003	(50,173)	40,175	13,504
51,483	6,269	104,141	78,472	562,655	124,341	59,620
<u>\$ 24,931</u>	<u>\$ 6,602</u>	<u>\$ 145,809</u>	<u>\$ 81,475</u>	<u>\$ 512,482</u>	<u>\$ 164,516</u>	<u>\$ 73,124</u>

HOOD COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds		
	Sheriff Forfeiture	Sheriff Commissary	Truant Officer
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	54,405
Charges for services	-	112,460	-
Fees of office	-	-	-
Forfeitures	46,685	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Total revenues	46,685	112,460	54,405
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	12,064	110,056	55,940
Culture and recreation	-	-	-
Capital outlay	46,152	-	-
Total expenditures	58,216	110,056	55,940
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,531)	2,404	(1,535)
OTHER FINANCING SOURCES (USES)			
Proceeds on sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(11,531)	2,404	(1,535)
FUND BALANCES, BEGINNING	14,293	13,575	9,159
FUND BALANCES, ENDING	\$ 2,762	\$ 15,979	\$ 7,624

Special Revenue Funds

Abandoned Vehicle	TJJD Juvenile Probation Programs	Law Library	County Library	Library Special	Alternative Dispute Resolution Fees	County Attorney Forfeitures
\$ -	\$ -	\$ -	\$ 526,335	\$ -	\$ -	\$ -
-	342,998	-	-	4,380	-	-
-	-	-	-	-	-	-
-	-	36,180	-	-	8,330	-
-	-	-	-	-	-	3,990
146	172	60	1,010	21	-	-
<u>62,810</u>	<u>-</u>	<u>-</u>	<u>34,139</u>	<u>2,281</u>	<u>-</u>	<u>-</u>
<u>62,956</u>	<u>343,170</u>	<u>36,240</u>	<u>561,484</u>	<u>6,682</u>	<u>8,330</u>	<u>3,990</u>
-	-	-	-	-	-	-
-	-	47,101	-	-	-	-
51,315	351,813	-	-	-	-	-
-	-	-	521,793	3,624	-	-
-	-	-	-	-	-	-
<u>51,315</u>	<u>351,813</u>	<u>47,101</u>	<u>521,793</u>	<u>3,624</u>	<u>-</u>	<u>-</u>
<u>11,641</u>	<u>(8,643)</u>	<u>(10,861)</u>	<u>39,691</u>	<u>3,058</u>	<u>8,330</u>	<u>3,990</u>
37,616	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(43,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(5,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,808	(8,643)	(10,861)	39,691	3,058	8,330	3,990
<u>76,881</u>	<u>1,543</u>	<u>44,387</u>	<u>382,570</u>	<u>7,890</u>	<u>120,503</u>	<u>24,029</u>
<u>\$ 82,689</u>	<u>\$ (7,100)</u>	<u>\$ 33,526</u>	<u>\$ 422,261</u>	<u>\$ 10,948</u>	<u>\$ 128,833</u>	<u>\$ 28,019</u>

HOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue	Capital Projects	
	Total Special Revenue Funds	Courts Facility	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 526,335	\$ -	\$ 526,335
Intergovernmental	1,349,248	115,152	1,464,400
Charges for services	112,460	-	112,460
Fees of office	363,676	-	363,676
Forfeitures	92,031	-	92,031
Investment income	5,824	-	5,824
Miscellaneous	139,765	-	139,765
Total revenues	2,589,339	115,152	2,704,491
EXPENDITURES			
Current:			
General government	238,456	-	238,456
Judicial	180,032	-	180,032
Public safety	876,173	-	876,173
Culture and recreation	525,417	-	525,417
Capital outlay	1,068,073	-	1,068,073
Total expenditures	2,888,151	-	2,888,151
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	(298,812)	115,152	(183,660)
OTHER FINANCING SOURCES (USES)			
Proceeds on sale of capital assets	37,616	-	37,616
Transfers in	343,945	-	343,945
Transfers out	(44,059)	(115,152)	(159,211)
Total other financing sources (uses)	337,502	(115,152)	222,350
NET CHANGE IN FUND BALANCES	38,690	-	38,690
FUND BALANCES, BEGINNING	1,854,776	-	1,854,776
FUND BALANCES, ENDING	\$ 1,893,466	\$ -	\$ 1,893,466

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

DISTRICT ATTORNEY FORFEITURE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Forfeitures	\$ 10,000	\$ 20,000	\$ 41,356	\$ 21,356
Investment income	-	-	338	338
Total revenues	10,000	20,000	41,694	21,694
EXPENDITURES				
Current:				
Judicial and legal:				
District attorney	22,000	32,000	20,819	11,181
Total expenditures	22,000	32,000	20,819	11,181
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,000)	(12,000)	20,875	32,875
FUND BALANCE, BEGINNING	76,058	76,058	76,058	-
FUND BALANCE, ENDING	\$ 64,058	\$ 64,058	\$ 96,933	\$ 32,875

HOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GRANTS FUND - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 375,547	\$ 1,356,930	\$ 924,977	\$(431,953)
Investment income	-	-	2,521	2,521
Miscellaneous	74,200	74,200	39,340	(34,860)
Total revenues	449,747	1,431,130	966,838	(464,292)
EXPENDITURES				
Current:				
General government:				
Elections	26,200	26,200	19,750	6,450
Judicial:				
District attorney	20,000	20,000	17,369	2,631
County attorney	700	762	-	762
Public safety:				
Sheriff	12,500	64,125	8,001	56,124
Fire marshal	700	317,243	232,755	84,488
Constable precinct 1 and 2	1,400	1,951	-	1,951
Constable precinct 3 and 4	2,800	8,141	6,349	1,792
Victim coordinator	39,347	42,132	43,006	(874)
Health and welfare:				
Child protective services	-	4,437	-	4,437
County health	300,000	311,000	4,874	306,126
Capital outlay	-	1,004,750	1,004,621	129
Total expenditures	403,647	1,800,741	1,336,725	464,016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	46,100	(369,611)	(369,887)	(276)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	344,610	343,945	(665)
Transfers out	(610)	(610)	(610)	-
Total other financing sources and uses	(610)	344,000	343,335	(665)
NET CHANGE IN FUND BALANCE	45,490	(25,611)	(26,552)	(941)
FUND BALANCE, BEGINNING	51,483	51,483	51,483	-
FUND BALANCE, ENDING	\$ 96,973	\$ 25,872	\$ 24,931	\$(941)

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

JUDGES EDUCATION - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment income	\$ -	\$ -	\$ 11	\$ 11
Miscellaneous	<u>750</u>	<u>750</u>	<u>1,195</u>	<u>445</u>
Total revenues	<u>750</u>	<u>750</u>	<u>1,206</u>	<u>456</u>
EXPENDITURES				
Current:				
Judicial:				
District judge	<u>1,200</u>	<u>1,200</u>	<u>873</u>	<u>327</u>
Total expenditures	<u>1,200</u>	<u>1,200</u>	<u>873</u>	<u>327</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(450)	(450)	333	783
FUND BALANCE, BEGINNING	<u>6,269</u>	<u>6,269</u>	<u>6,269</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 5,819</u>	<u>\$ 5,819</u>	<u>\$ 6,602</u>	<u>\$ 783</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

COURTHOUSE SECURITY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Fees of office	\$ 40,000	\$ 40,000	\$ 41,439	\$ 1,439
Investment income	-	-	229	229
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>41,668</u>	<u>1,668</u>
EXPENDITURES				
Current:				
Judicial:				
County court-at-law	<u>35,800</u>	<u>35,800</u>	-	<u>35,800</u>
Total expenditures	<u>35,800</u>	<u>35,800</u>	-	<u>35,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,200</u>	<u>4,200</u>	<u>41,668</u>	<u>37,468</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,200)</u>	<u>(4,200)</u>	-	<u>4,200</u>
Total other financing sources and uses	<u>(4,200)</u>	<u>(4,200)</u>	-	<u>4,200</u>
NET CHANGE IN FUND BALANCE	-	-	41,668	41,668
FUND BALANCE, BEGINNING	<u>104,141</u>	<u>104,141</u>	<u>104,141</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 104,141</u>	<u>\$ 104,141</u>	<u>\$ 145,809</u>	<u>\$ 41,668</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

JUSTICE COURT TECHNOLOGY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Fees of office	\$ 14,000	\$ 19,000	\$ 17,416	\$(1,584)
Total revenues	<u>14,000</u>	<u>19,000</u>	<u>17,416</u>	<u>(1,584)</u>
EXPENDITURES				
Current:				
Judicial:				
Justice of the peace, precincts 1 and 2	10,000	20,000	6,468	13,532
Justice of the peace, precinct 3	10,000	10,000	4,851	5,149
Justice of the peace, precinct 4	10,000	10,000	3,094	6,906
Total expenditures	<u>30,000</u>	<u>40,000</u>	<u>14,413</u>	<u>25,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(16,000)</u>	<u>(21,000)</u>	<u>3,003</u>	<u>24,003</u>
NET CHANGE IN FUND BALANCE	(16,000)	(21,000)	3,003	24,003
FUND BALANCE, BEGINNING	<u>78,472</u>	<u>78,472</u>	<u>78,472</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 62,472</u>	<u>\$ 57,472</u>	<u>\$ 81,475</u>	<u>\$ 24,003</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

RECORDS MANAGEMENT - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees of office	\$ 158,500	\$ 158,500	\$ 167,482	\$ 8,982
Investment income	<u>4,500</u>	<u>4,500</u>	<u>1,051</u>	<u>(3,449)</u>
Total revenues	<u>163,000</u>	<u>163,000</u>	<u>168,533</u>	<u>5,533</u>
EXPENDITURES				
Current:				
General government:				
County clerk	<u>288,120</u>	<u>288,120</u>	<u>218,706</u>	<u>69,414</u>
Total expenditures	<u>288,120</u>	<u>288,120</u>	<u>218,706</u>	<u>69,414</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(125,120)</u>	<u>(125,120)</u>	<u>(50,173)</u>	<u>74,947</u>
FUND BALANCE, BEGINNING	<u>562,655</u>	<u>562,655</u>	<u>562,655</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 437,535</u>	<u>\$ 437,535</u>	<u>\$ 512,482</u>	<u>\$ 74,947</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECORDS PRESERVATION - SPECIAL REVENUE FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 32,000	\$ 32,000	\$ 39,913	\$ 7,913
Investment income	-	-	262	262
Total revenues	32,000	32,000	40,175	8,175
EXPENDITURES				
Current:				
Judicial:				
District clerk	51,000	51,000	-	51,000
Total expenditures	51,000	51,000	-	51,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,000)	(19,000)	40,175	59,175
FUND BALANCE, BEGINNING	124,341	124,341	124,341	-
FUND BALANCE, ENDING	\$ 105,341	\$ 105,341	\$ 164,516	\$ 59,175

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

TIME PAYMENT COLLECTION FEE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 6,000	\$ 6,000	\$ 13,504	\$ 7,504
Investment income	-	-	-	-
Total revenues	6,000	6,000	13,504	7,504
EXPENDITURES				
Current:				
General government:				
County clerk	3,500	3,500	-	3,500
Judicial:				
District clerk	500	500	-	500
Justice of the peace, precincts 1 and 2	1,000	1,000	-	1,000
Justice of the peace, precinct 3	1,000	1,000	-	1,000
Total expenditures	6,000	6,000	-	6,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	13,504	13,504
FUND BALANCE, BEGINNING	59,620	59,620	59,620	-
FUND BALANCE, ENDING	\$ 59,620	\$ 59,620	\$ 73,124	\$ 13,504

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

TRUANT OFFICER - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 54,404	\$ 54,404	\$ 54,405	\$ 1
Total revenues	<u>54,404</u>	<u>54,404</u>	<u>54,405</u>	<u>1</u>
EXPENDITURES				
Current:				
Judicial:				
Constable 4	<u>56,480</u>	<u>56,480</u>	<u>55,940</u>	<u>540</u>
Total expenditures	<u>56,480</u>	<u>56,480</u>	<u>55,940</u>	<u>540</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,076)	(2,076)	(1,535)	541
FUND BALANCE, BEGINNING	<u>9,159</u>	<u>9,159</u>	<u>9,159</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 7,083</u>	<u>\$ 7,083</u>	<u>\$ 7,624</u>	<u>\$ 541</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

ABANDONED VEHICLE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 146	\$ 146
Miscellaneous	75,000	75,000	62,810	(12,190)
Total revenues	75,000	75,000	62,956	(12,044)
EXPENDITURES				
Current:				
Public safety:				
Sheriff administration	65,000	65,000	51,315	13,685
Total expenditures	65,000	65,000	51,315	13,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,000	10,000	11,641	1,641
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	37,616	37,616
Transfers out	(50,000)	(50,000)	(43,449)	6,551
Total other financing sources and uses	(50,000)	(50,000)	(5,833)	44,167
NET CHANGE IN FUND BALANCE	(40,000)	(40,000)	5,808	45,808
FUND BALANCE, BEGINNING	76,881	76,881	76,881	-
FUND BALANCE, ENDING	\$ 36,881	\$ 36,881	\$ 82,689	\$ 45,808

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

TJJD JUVENILE PROBATION PROGRAMS - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 347,991	\$ 358,774	\$ 342,998	\$(15,776)
Investment income	-	-	172	172
Total revenues	<u>347,991</u>	<u>358,774</u>	<u>343,170</u>	<u>(15,604)</u>
EXPENDITURES				
Current:				
Public safety:				
Juvenile probation	<u>358,774</u>	<u>358,774</u>	<u>351,813</u>	<u>6,961</u>
Total expenditures	<u>358,774</u>	<u>358,774</u>	<u>351,813</u>	<u>6,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,783)</u>	<u>-</u>	<u>(8,643)</u>	<u>(8,643)</u>
FUND BALANCE, BEGINNING	<u>1,543</u>	<u>1,543</u>	<u>1,543</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$(9,240)</u></u>	<u><u>\$ 1,543</u></u>	<u><u>\$(7,100)</u></u>	<u><u>\$(8,643)</u></u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

LAW LIBRARY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 45,000	\$ 45,000	\$ 36,180	\$(8,820)
Investment income	-	-	60	(60)
Total revenues	45,000	45,000	36,240	(8,760)
EXPENDITURES				
Current:				
Judicial:				
Law library	45,000	47,000	47,101	(101)
Total expenditures	45,000	47,000	47,101	(101)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(2,000)	(10,861)	(8,861)
FUND BALANCE, BEGINNING	44,387	44,387	44,387	-
FUND BALANCE, ENDING	\$ 44,387	\$ 42,387	\$ 33,526	\$(8,861)

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

COUNTY LIBRARY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 533,000	\$ 533,000	\$ 526,335	\$(6,665)
Investment income	1,000	1,000	1,010	10
Miscellaneous	<u>30,000</u>	<u>30,000</u>	<u>34,139</u>	<u>4,139</u>
Total revenues	<u>564,000</u>	<u>564,000</u>	<u>561,484</u>	<u>(2,516)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Library	<u>567,818</u>	<u>557,925</u>	<u>521,793</u>	<u>36,132</u>
Total expenditures	<u>567,818</u>	<u>557,925</u>	<u>521,793</u>	<u>36,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,818)</u>	<u>6,075</u>	<u>39,691</u>	<u>33,616</u>
NET CHANGE IN FUND BALANCE	<u>(3,818)</u>	<u>6,075</u>	<u>39,691</u>	<u>33,616</u>
FUND BALANCE, BEGINNING	<u>382,570</u>	<u>382,570</u>	<u>382,570</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 378,752</u>	<u>\$ 388,645</u>	<u>\$ 422,261</u>	<u>\$ 33,616</u>

HOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIBRARY SPECIAL - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 4,380	\$ 4,380
Investment income	-	-	21	21
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>2,281</u>	<u>(1,719)</u>
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>6,682</u>	<u>2,682</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Library	1,000	5,000	3,624	1,376
Capital outlay	<u>8,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total expenditures	<u>9,000</u>	<u>9,000</u>	<u>3,624</u>	<u>5,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,000)</u>	<u>(5,000)</u>	<u>3,058</u>	<u>8,058</u>
FUND BALANCE, BEGINNING	<u>7,890</u>	<u>7,890</u>	<u>7,890</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,890</u>	<u>\$ 2,890</u>	<u>\$ 10,948</u>	<u>\$ 8,058</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

COUNTY ATTORNEY FORFEITURES - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Forfeitures	\$ 30,000	\$ 30,000	\$ 3,990	\$(26,010)
Investment income	1,000	1,000	-	(1,000)
Total revenues	31,000	31,000	3,990	(27,010)
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,000	31,000	3,990	(27,010)
 FUND BALANCE, BEGINNING	24,029	24,029	24,029	-
 FUND BALANCE, ENDING	\$ 55,029	\$ 55,029	\$ 28,019	\$(27,010)

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,370,116	\$ 2,371,116	\$ 2,789,719	\$ 418,603
Investment income	<u>2,000</u>	<u>2,000</u>	<u>2,270</u>	<u>270</u>
Total revenues	<u>2,372,116</u>	<u>2,373,116</u>	<u>2,791,989</u>	<u>418,873</u>
EXPENDITURES				
Debt service:				
Principal on long-term debt	2,360,000	2,360,000	2,360,000	-
Interest on long-term debt	<u>612,603</u>	<u>613,603</u>	<u>612,997</u>	<u>606</u>
Total expenditures	<u>2,972,603</u>	<u>2,973,603</u>	<u>2,972,997</u>	<u>606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(600,487)</u>	<u>(600,487)</u>	<u>(181,008)</u>	<u>419,479</u>
FUND BALANCE, BEGINNING	<u>1,195,073</u>	<u>1,195,073</u>	<u>1,195,073</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 594,586</u>	<u>\$ 594,586</u>	<u>\$ 1,014,065</u>	<u>\$ 419,479</u>

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HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
AGENCY FUNDS
SEPTEMBER 30, 2013

	County Clerk Bond	County Clerk Special	District Clerk Trust	District Clerk Special
ASSETS				
Cash and investments	\$ <u>108,101</u>	\$ <u>175,963</u>	\$ <u>895,176</u>	\$ <u>29,369</u>
Total assets	\$ <u><u>108,101</u></u>	\$ <u><u>175,963</u></u>	\$ <u><u>895,176</u></u>	\$ <u><u>29,369</u></u>
LIABILITIES				
Amounts held for others	\$ <u>108,101</u>	\$ <u>175,963</u>	\$ <u>895,176</u>	\$ <u>29,369</u>
Total liabilities	\$ <u><u>108,101</u></u>	\$ <u><u>175,963</u></u>	\$ <u><u>895,176</u></u>	\$ <u><u>29,369</u></u>

<u>District Attorney Seizure</u>	<u>District Attorney Restitution</u>	<u>County Attorney Restitution</u>	<u>Sheriff Inmate Trust</u>	<u>Justice of the Peace Precincts 3 and 4</u>	<u>Unclaimed Property</u>	<u>Tax Assessor Auto Registration</u>
\$ <u>59,717</u>	\$ <u>6,163</u>	\$ <u>4,310</u>	\$ <u>53,689</u>	\$ <u>6,662</u>	\$ <u>14,629</u>	\$ <u>441,192</u>
\$ <u>59,717</u>	\$ <u>6,163</u>	\$ <u>4,310</u>	\$ <u>53,689</u>	\$ <u>6,662</u>	\$ <u>14,629</u>	\$ <u>441,192</u>
\$ <u>59,717</u>	\$ <u>6,163</u>	\$ <u>4,310</u>	\$ <u>53,689</u>	\$ <u>6,662</u>	\$ <u>14,629</u>	\$ <u>441,192</u>
\$ <u>59,717</u>	\$ <u>6,163</u>	\$ <u>4,310</u>	\$ <u>53,689</u>	\$ <u>6,662</u>	\$ <u>14,629</u>	\$ <u>441,192</u>

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
AGENCY FUNDS
SEPTEMBER 30, 2013

	<u>Bail Bond Board</u>	<u>CSCD Adult Supervision</u>	<u>CSCD CCP Court Officer</u>	<u>CSCD Adult Probation Restitution</u>
ASSETS				
Cash and investments	\$ <u>21,894</u>	\$ <u>173,791</u>	\$ <u>21,192</u>	\$ <u>520</u>
Total assets	\$ <u><u>21,894</u></u>	\$ <u><u>173,791</u></u>	\$ <u><u>21,192</u></u>	\$ <u><u>520</u></u>
LIABILITIES				
Amounts held for others	\$ <u>21,894</u>	\$ <u>173,791</u>	\$ <u>21,192</u>	\$ <u>520</u>
Total liabilities	\$ <u><u>21,894</u></u>	\$ <u><u>173,791</u></u>	\$ <u><u>21,192</u></u>	\$ <u><u>520</u></u>

<u>Sheriff Seizure I</u>	<u>VIT Escrow</u>	<u>Total Agency Funds</u>
\$ <u>2,763</u>	\$ <u>272,894</u>	\$ <u>2,288,025</u>
\$ <u><u>2,763</u></u>	\$ <u><u>272,894</u></u>	\$ <u><u>2,288,025</u></u>
\$ <u>2,763</u>	\$ <u>272,894</u>	\$ <u>2,288,025</u>
\$ <u><u>2,763</u></u>	\$ <u><u>272,894</u></u>	\$ <u><u>2,288,025</u></u>

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SINGLE AUDIT SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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

To the Honorable County Judge
and County Commissioners
Hood 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 Hood County, Texas ("the County"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hood County, Texas' the County's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 7, 2014



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge
and County Commissioners
Hood County, Texas

Report on Compliance for Each Major Federal Program

We have audited Hood County, Texas' ("the County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2013. The County's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs 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 the 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, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

Hood County, Texas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hood County, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a significant deficiency.

Hood County, Texas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hood County, Texas' 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
May 7, 2014

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HOOD COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
Texas Community Development Block Grant	14.228	713247	\$ 130,049
Total Passed through Texas Department of Rural Affairs			<u>130,049</u>
Total U.S. Department of Housing and Urban Development			<u>130,049</u>
<u>U. S. Department of Justice</u>			
Passed through Bureau of Justice Assistance:			
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0033	<u>6,518</u>
Total Passed through Bureau of Justice Assistance			<u>6,518</u>
Total U.S. Department of Justice			<u>6,518</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Texas Department of Public Safety:			
Emergency Operations Center	97.052	EMW-2011-EO-00030	712,500
State Homeland Security Program	97.073	2010-SS-T0-0008	<u>6,349</u>
Total Passed through Texas Department of Public Safety			<u>718,849</u>
Total U.S. Department of Homeland Security			<u>718,849</u>
Total Expenditures of Federal Awards			<u>\$ 855,416</u>

HOOD COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2013

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable state awards of the reporting entity. The County's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

HOOD COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	2013-1
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None reported
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined by Section 510 (a) of OMB Circular A-133	2013-1
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	The County was not classified as a low-risk auditee in the context of OMB Circular A-133
Identification of major programs:	
CFDA Number: 97.052	Name of Federal Program or Cluster: Emergency Operations Center

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

HOOD COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2013

Findings and Questioned Costs for Federal Awards

Item 2013-1:

Compliance Requirement: Davis-Bacon Act

Criteria: Entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

Condition: The County used grant funding to pay for construction expenditures exceeding \$2,000 and there were no procedures in place for the County to ensure the contractors complied with the Davis-Bacon Act. The contractor submitted certified payrolls to the architect but the County did not review them.

Effect: Grant funds could be paid to contractors that are not meeting the Department of Labor's requirements, which would make the expenditures unallowable.

Questioned Costs: None.

Recommendation: The County should implement policies and procedures that will ensure that the requirements of the Davis-Bacon Act are met.

HOOD COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2013

Findings and Questioned Costs for Federal Awards

Item 2013-1:

Management's Responses:

The project Architect offered to perform the weekly Davis-Bacon Act payroll review, to document that prevailing wages were appropriately paid by all subcontractors. County representatives believed it would be acceptable to rely on the Architect to perform and document that task, as County's agent. At the end of *the project*, Architect provided County with each and every certified weekly payroll report, as anticipated. County will in the future ensure that a County employee reviews and documents each certified weekly payroll report, rather than relying on an independent agent to do so.

HOOD COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

None