

PECOS COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprises the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pecos County Memorial Hospital, an enterprise fund, which represents 100 percent of the assets, net position and revenues and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pecos County Memorial Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas, as of December 31, 2013, and the respective changes in financial position and where applicable the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 (P) to the financial statements, in 2013 the County adopted new guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison information on pages 4 through 11 and 65 through 72 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 and other auditors 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 financial statements. The combining nonmajor governmental fund financial statements, combining special revenue fund financial statements and combining

fiduciary agency fund statement of assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, the combining special revenue fund financial statements, and the combining fiduciary agency fund statement of assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, the combining special revenue fund financial statements, and the combining fiduciary agency fund statement of assets and liabilities 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 August 20, 2014, on our consideration of Pecos County, Texas' internal control over financial reporting and 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 the 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 Pecos County, Texas' internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
August 20, 2014

PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Pecos County, Texas (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 12.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$40,428,041 (*net position*). Of this amount \$(3,524,007) (*unrestricted net position*) was a net deficit.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$21,192,325 an increase of \$2,520,857 in comparison with the prior year. Approximately 54% of this total amount, \$11,486,382, is unassigned and *available for spending* at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,486,382 or 53% percent of total general fund expenditures.
- The County's total bond debt decreased by \$1,145,000 (19%) during the current fiscal year.

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 *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 government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Statements – Continued

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

The government wide financial statements can be found on pages 12 through 14 of this report.

FUND FINANCIAL STATEMENTS

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

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

Because the focus on 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 three governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, and the debt service fund, which are considered to be major funds. All other special revenue funds and capital project funds are considered nonmajor governmental funds and are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements as other supplemental information elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 19 of this report.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND FINANCIAL STATEMENTS – CONTINUED

Governmental Funds – Continued

The County adopts an annual appropriated budget for its general fund and road and bridge fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with this budget on pages 66 through 72.

Proprietary Funds: The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Pecos County Memorial Hospital fund, formerly presented as a discretely presented component unit, is now presented as an enterprise fund of the County. The Pecos County Memorial Hospital fund is considered a major fund of the County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 through 25 of this report.

Fiduciary Funds: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements can be found on page 26 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information for budgetary data. Combining fund statements can be found on pages 73 through 86.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$40,428,041 at the close of the most recent fiscal year. A large portion of the County's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is outstanding.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Pecos County, Texas
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 48,142,388	\$ 50,899,703	\$ 8,063,841	\$ 8,683,745	\$ 56,206,229	\$ 59,583,448
Capital assets	24,597,078	25,155,052	16,870,292	16,491,749	41,467,370	41,646,801
Total assets	<u>72,739,466</u>	<u>76,054,755</u>	<u>24,934,133</u>	<u>25,175,494</u>	<u>97,673,599</u>	<u>101,230,249</u>
Long-term liabilities	15,024,552	17,849,645	9,604,212	11,206,133	24,628,764	29,055,778
Other liabilities	26,630,715	27,261,885	3,712,735	4,484,545	30,343,450	31,746,430
Total liabilities	<u>41,655,267</u>	<u>45,111,530</u>	<u>13,316,947</u>	<u>15,690,678</u>	<u>54,972,214</u>	<u>60,802,208</u>
Net investment						
in capital assets	21,406,758	22,333,099	13,020,114	13,407,301	34,426,872	35,740,400
Restricted	7,903,689	8,211,648	-	-	7,903,689	8,211,648
Unrestricted	1,773,752	398,478	(1,402,928)	(3,922,485)	370,824	(3,524,007)
Total net position	<u>\$ 31,084,199</u>	<u>\$ 30,943,225</u>	<u>\$ 11,617,186</u>	<u>\$ 9,484,816</u>	<u>\$ 42,701,385</u>	<u>\$ 40,428,041</u>

A significant portion of the County's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(3,524,007).

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities and business-type activities decreased the County's net position by \$140,974 and \$2,132,370, respectively. Key elements of this decrease are as follows:

**Pecos County, Texas
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,197,870	\$ 4,372,324	\$ 21,505,407	\$ 24,563,437	\$ 25,703,277	\$ 28,935,761
Operating grants and contributions	2,443,493	2,019,242	623,850	781,697	3,067,343	2,800,939
Capital grants and contributions	-	-	131,850	85,508	131,850	85,508
General revenues:						
Property taxes	24,800,534	23,371,662	-	-	24,800,534	23,371,662
Other taxes	75,313	100,132	-	-	75,313	100,132
Investment earnings	477,211	226,057	64,297	28,848	541,508	254,905
Payment in lieu of taxes	2,077,231	2,351,560	-	-	2,077,231	2,351,560
Other	3,595	226,397	-	-	3,595	226,397
Total revenues	\$ 34,075,247	\$ 32,667,374	\$ 22,325,404	\$ 25,459,490	\$ 56,400,651	\$ 58,126,864
Expenses:						
General government	\$ 5,091,828	\$ 5,037,921	\$ -	\$ -	\$ 5,091,828	\$ 5,037,921
Judicial	2,577,803	2,753,980	-	-	2,577,803	2,753,980
Financial administration	1,365,901	1,509,946	-	-	1,365,901	1,509,946
Public facilities	1,189,737	1,556,686	-	-	1,189,737	1,556,686
Public safety	6,012,169	6,376,489	-	-	6,012,169	6,376,489
Public service	569,653	686,243	-	-	569,653	686,243
Health and welfare	2,900,737	2,571,317	-	-	2,900,737	2,571,317
Culture and recreation	3,219,606	3,325,313	-	-	3,219,606	3,325,313
Highways and streets	4,434,671	4,607,385	-	-	4,434,671	4,607,385
Conservation	200,671	206,241	-	-	200,671	206,241
Airport	84,337	63,922	-	-	84,337	63,922
Interest on long-term debt	99,883	39,420	-	-	99,883	39,420
Pecos County Memorial Hospital	-	-	27,513,147	31,665,345	27,513,147	31,665,345
Total expenses	27,746,996	28,734,863	27,513,147	31,665,345	55,260,143	60,400,208
Change in net position:						
Before transfers	6,328,251	3,932,511	(5,187,743)	(6,205,855)	1,140,508	(2,273,344)
Contributed capital	(3,174,697)	(1,143,970)	3,174,697	1,143,970	-	-
Transfers	(2,928,146)	(2,929,515)	2,928,146	2,929,515	-	-
Change in net position	225,408	(140,974)	915,100	(2,132,370)	1,140,508	(2,273,344)
Net position beginning, as previously stated	30,939,245	31,164,653	10,702,086	11,617,186	41,641,331	42,781,839
Restatement	-	(80,454)	-	-	-	(80,454)
Net position, beginning, restated	30,939,245	31,084,199	10,702,086	11,617,186	41,641,331	42,701,385
Net position, ending	\$ 31,164,653	\$ 30,943,225	\$ 11,617,186	\$ 9,484,816	\$ 42,781,839	\$ 40,428,041

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Pecos 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 year, the County's governmental funds reported combined ending fund balances of \$21,192,325, an increase of \$2,520,857 in comparison with the prior year. Approximately 54% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to cover debt service, inventory, and revenues restricted for airport use generated from airport assets.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,486,382, while total fund balance was \$18,020,396.

Proprietary Funds: Unrestricted fund deficit of the County's enterprise fund, Pecos Memorial Hospital at the end of the year amounted to \$(3,049,899). The remainder of the fund balance is net investment in capital assets. The change in net position for the fund was a decrease of \$1,803,217. Unrestricted fund balance of the County's health self-insurance plan at the end of the year amounted to \$1,878,131. The change in unrestricted net position for the fund was a decrease of \$601,512.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Actual revenues for 2013 were \$535,437 more than final budgeted revenues.
- Actual expenditures for 2013 were \$2,245,952 less than the final amended budget.
- All expenditure categories were less than the final budgeted figures.

This resulted in a net increase in the general fund balance for the year of \$2,928,520 after accounting for other financing sources as detailed on page 18 of this report.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The County's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$41,646,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and other improvements.

**Pecos County, Texas
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Land	\$ 1,260,531	\$ 1,260,531	\$ -	\$ 54,450	\$ 1,260,531	\$ 1,314,981
Buildings	13,287,132	13,037,170	11,482,161	11,863,655	24,769,293	24,900,825
Improvements - other	3,066,340	3,078,262	84,372	154,414	3,150,712	3,232,676
Machinery and equipment	5,984,193	6,403,749	2,591,147	2,246,852	8,575,340	8,650,601
Construction in progress	504,172	835,772	579,946	295,716	1,084,118	1,131,488
Infrastructure	494,710	539,568	-	-	494,710	539,568
Leased assets	-	-	849,812	637,482	849,812	637,482
Capitalized Interest	-	-	1,282,854	1,239,180	1,282,854	1,239,180
Total	\$ 24,597,078	\$ 25,155,052	\$ 16,870,292	\$ 16,491,749	\$ 41,467,370	\$ 41,646,801

Additional information on the County's capital assets can be found in Note 6 on page 47 of this report.

Long-term debt: At the end of the current fiscal year, the County had total bonded debt outstanding of \$4,890,000. The County's debt is comprised as follows:

	Governmental Activities	
	2012	2013
General obligation	\$ 3,055,000	\$ 2,470,000
Unamortized bond premium	135,320	108,259
Grant repayment	-	243,694
Compensated absences	1,086,752	1,087,447
Other post-employment benefits obligation	12,034,173	15,428,296
Total governmental activities	\$ 16,311,245	\$ 19,337,696

	Business-type Activities	
	2012	2013
General obligation bonds	\$ 2,980,000	\$ 2,420,000
Capital lease obligation	870,178	664,448
Compensated absences	1,036,611	1,325,000
Other post-employment benefits obligation	6,939,892	9,261,623
Total business-type activities	\$ 11,826,681	\$ 13,671,071

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Additional information on Pecos County's long-term debt can be found in Note 8 on pages 50 through 53.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- According to the Bureau of Labor Statistics, Pecos County's unemployment rate rose slightly during 2013, but started dropping towards the end of the year and has dropped to 3.5% as of April 2014, which is still under the Texas rate of 5.2%.
- The oil and gas industry in the region is starting to pick up again. The Wolfbone production zone has been heavily developed in Reeves County and activity is starting to move into Pecos County. Also, oil activity is on the increase in Eastern Pecos County. This should provide for economic stability in the region along with some growth.
- The mineral valuation in Pecos County decreased slightly in 2013, is expected to remain relatively stable in 2014, and may increase somewhat in 2015 due to current activity and increased oil and gas prices.
- Pecos County is continuing to have interest from the Solar Industry in establishing a Solar Farm in the region.

All of these factors were considered in preparing the Pecos County's budget for the 2014 year and will be considered when preparing the 2015 budget.

Requests for Information

This financial report is designed to provide a general overview of Pecos County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Pecos, 103 W Callaghan, Fort Stockton, Texas 79735.

BASIC FINANCIAL STATEMENTS

**PECOS COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,937,634	\$ 4,060,831	\$ 21,998,465
Investments	12,708,780	-	12,708,780
Receivables, net	19,158,933	4,707,897	23,866,830
Internal balances	1,093,818	(1,093,818)	-
Other assets	538	1,008,835	1,009,373
Capital assets, net	25,155,052	16,491,749	41,646,801
Total assets	76,054,755	25,175,494	101,230,249
LIABILITIES			
Accounts payable and other current liabilities	1,765,305	2,019,607	3,784,912
Due to other governments	380,832	-	380,832
Estimated health claims payable	525,253	-	525,253
Unearned revenue	23,102,444	-	23,102,444
Noncurrent liabilities:			
Due within one year	1,488,051	2,464,938	3,952,989
Due in more than one year	17,849,645	11,206,133	29,055,778
Total liabilities	45,111,530	15,690,678	60,802,208
NET POSITION			
Net investment in capital assets	22,333,099	13,407,301	35,740,400
Restricted for:			
Airport	5,446,029	-	5,446,029
Road and bridge	966,289	-	966,289
Debt service	745,592	-	745,592
Federal and state grants	316,146	-	316,146
Legislation	737,592	-	737,592
Unrestricted	398,478	(3,922,485)	(3,524,007)
Total net position	\$ 30,943,225	\$ 9,484,816	\$ 40,428,041

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Function/Programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 5,037,921	\$ 433,453
Judicial	2,753,980	672,996
Financial administration	1,509,946	166,256
Public facilities	1,556,686	221,207
Public safety	6,376,489	779,284
Public service	686,243	13,155
Health and welfare	2,571,317	1,000,824
Culture and recreation	3,325,313	199,120
Highways and streets	4,607,385	650,654
Conservation	206,241	-
Airport	63,922	235,375
Interest on long-term debt	39,420	-
Total governmental activities	28,734,863	4,372,324
Business-type activities:		
Pecos County Memorial Hospital	31,665,345	24,563,437
Total business-type activities	31,665,345	24,563,437
Total primary government	\$ 60,400,208	\$ 28,935,761

The Notes to Financial Statements are an integral part of these statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 344,976	\$ -	\$ (4,259,492)	\$ -	\$ (4,259,492)
-	-	(2,080,984)	-	(2,080,984)
-	-	(1,343,690)	-	(1,343,690)
-	-	(1,335,479)	-	(1,335,479)
1,331,469	-	(4,265,736)	-	(4,265,736)
246,930	-	(426,158)	-	(426,158)
95,867	-	(1,474,626)	-	(1,474,626)
-	-	(3,126,193)	-	(3,126,193)
-	-	(3,956,731)	-	(3,956,731)
-	-	(206,241)	-	(206,241)
-	-	171,453	-	171,453
-	-	(39,420)	-	(39,420)
<u>2,019,242</u>	<u>-</u>	<u>(22,343,297)</u>	<u>-</u>	<u>(22,343,297)</u>
<u>781,697</u>	<u>85,508</u>	<u>-</u>	<u>(6,234,703)</u>	<u>(6,234,703)</u>
<u>781,697</u>	<u>85,508</u>	<u>-</u>	<u>(6,234,703)</u>	<u>(6,234,703)</u>
<u>\$ 2,800,939</u>	<u>\$ 85,508</u>	<u>(22,343,297)</u>	<u>(6,234,703)</u>	<u>(28,578,000)</u>
GENERAL REVENUES:				
Property taxes		23,371,662	-	23,371,662
Sales taxes		76,087	-	76,087
Alcoholic beverage taxes		24,045	-	24,045
Unrestricted investment earnings		226,057	28,848	254,905
Payment in lieu of property taxes		2,351,560	-	2,351,560
Miscellaneous revenue		226,397	-	226,397
TRANSFERS		<u>(4,073,485)</u>	<u>4,073,485</u>	<u>-</u>
Total general revenues and transfers		<u>22,202,323</u>	<u>4,102,333</u>	<u>26,304,656</u>
Change in net position		(140,974)	(2,132,370)	(2,273,344)
NET POSITION, beginning of year, as previously stated		31,164,653	11,617,186	42,781,839
Restatement due to change in accounting principle (see note 1)		(80,454)	-	(80,454)
NET POSITION, beginning of year, as restated		<u>31,084,199</u>	<u>11,617,186</u>	<u>42,701,385</u>
NET POSITION, end of year		<u>\$ 30,943,225</u>	<u>\$ 9,484,816</u>	<u>\$ 40,428,041</u>

**PECOS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General
ASSETS	
Cash and cash equivalents	\$ 11,105,991
Investments	12,699,515
Receivables, net	
Property taxes	13,800,784
Other	1,734,156
Due from other funds	302,135
Inventory of supplies	538
TOTAL ASSETS	\$ 39,643,119
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 1,137,736
Due to other funds	209
Due to other governments	380,832
Total liabilities	1,518,777
Deferred inflows of resources	
Unavailable revenue - property tax	18,553,454
Unavailable revenue - other revenues	1,550,492
Total deferred inflows of resources	20,103,946
Fund balances	
Nonspendable:	
Inventories	538
Restricted:	
Airport use	5,446,029
Road and bridge	-
Debt service	-
Federal and state grants	-
Legislation	-
Assigned:	
Capital projects	-
Compensated absences	1,087,447
Unassigned	11,486,382
Total fund balances	18,020,396
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	\$ 39,643,119

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,954,091	\$ 1,068,947	\$ 1,739,891	\$ 15,868,920
-	9,265	-	12,708,780
2,157,586	939,522	-	16,897,892
7,783	-	82,205	1,824,144
-	-	186	302,321
-	-	-	538
<u>\$ 4,119,460</u>	<u>\$ 2,017,734</u>	<u>\$ 1,822,282</u>	<u>\$ 47,602,595</u>
\$ 227,476	\$ -	\$ 289,610	\$ 1,654,822
-	-	80,880	81,089
-	-	-	380,832
<u>227,476</u>		<u>370,490</u>	<u>2,116,743</u>
2,925,695	1,263,886	-	22,743,035
-	-	-	1,550,492
<u>2,925,695</u>	<u>1,263,886</u>	<u>-</u>	<u>24,293,527</u>
-	-	-	538
-	-	-	5,446,029
966,289	-	-	966,289
-	753,848	-	753,848
-	-	316,146	316,146
-	-	737,592	737,592
-	-	398,054	398,054
-	-	-	1,087,447
-	-	-	11,486,382
<u>966,289</u>	<u>753,848</u>	<u>1,451,792</u>	<u>21,192,325</u>
<u>\$ 4,119,460</u>	<u>\$ 2,017,734</u>	<u>\$ 1,822,282</u>	<u>\$ 47,602,595</u>

**PECOS COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Total fund balances - governmental funds \$ 21,192,325

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental funds
balance sheet. 25,155,052

Internal service funds are used by management to account for the self-
insurance fund of the government. The assets and liabilities of the
internal service fund are included in governmental activities in the
statement of net position. 2,750,717

Certain assets, such as fines and fees receivable, are not available to
pay for current-period expenditures and therefore, are deferred in the
governmental funds. 1,191,083

Long-term liabilities, including bonds payable and related items, are not
due and payable in the current period and therefore are not reported in
the governmental funds. (19,345,952)

Net position of governmental activities \$ 30,943,225

PECOS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	<u>General</u>
REVENUES	
Taxes	\$ 18,505,128
Fines and forfeitures	13,388
Intergovernmental	367,937
Charges for services	2,346,038
Payment in lieu of taxes	2,351,560
Royalties	206,094
Interest	197,124
Other	544,059
	<hr/>
Total revenues	24,531,328
	<hr/>
EXPENDITURES	
General government	4,724,635
Judicial	2,036,933
Financial administration	1,271,646
Law enforcement	1,676,634
Corrections	926,009
Health and welfare	1,937,111
Fire protection	445,863
Culture and recreation	2,016,565
Libraries	441,256
Building maintenance	370,916
Utilities	612,116
Conservation	145,697
Public service	352,181
Airport	14,218
Highways and streets	-
Capital outlay	1,056,506
Debt service principal	180,000
Debt service interest and fiscal charges	-
	<hr/>
Total expenditures	18,208,286
	<hr/>
Excess (deficiency) of revenues over expenditures	6,323,042
	<hr/>
Other financing sources (uses)	
Proceeds from sale of asset	34,993
Transfers from other funds	-
Transfers to other funds	(3,429,515)
	<hr/>
Total other financing sources (uses)	(3,394,522)
	<hr/>
Net change in fund balances	2,928,520
	<hr/>
FUND BALANCES, beginning of year	15,091,876
	<hr/>
FUND BALANCES, ending of year	\$ 18,020,396
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,499,057	\$ 1,367,477	\$ -	\$ 23,371,662
-	-	-	13,388
96,234	-	1,650,479	2,114,650
672,881	-	697,281	3,716,200
-	-	-	2,351,560
-	-	-	206,094
-	3	4,419	201,546
-	-	11,661	555,720
<u>4,268,172</u>	<u>1,367,480</u>	<u>2,363,840</u>	<u>32,530,820</u>
-	-	-	4,724,635
-	-	129,677	2,166,610
-	-	-	1,271,646
-	-	-	1,676,634
-	-	1,729,147	2,655,156
-	-	106,588	2,043,699
-	-	-	445,863
-	-	-	2,016,565
-	-	-	441,256
-	-	-	370,916
-	-	-	612,116
-	-	-	145,697
-	-	297,812	649,993
-	-	-	14,218
3,425,657	-	-	3,425,657
790,077	-	630,790	2,477,373
-	585,000	-	765,000
-	68,437	-	68,437
<u>4,215,734</u>	<u>653,437</u>	<u>2,894,014</u>	<u>25,971,471</u>
<u>52,438</u>	<u>714,043</u>	<u>(530,174)</u>	<u>6,559,349</u>
-	-	-	34,993
-	-	109,097	109,097
-	(643,970)	(109,097)	(4,182,582)
-	(643,970)	-	(4,038,492)
52,438	70,073	(530,174)	2,520,857
913,851	683,775	1,981,966	18,671,468
<u>\$ 966,289</u>	<u>\$ 753,848</u>	<u>\$ 1,451,792</u>	<u>\$ 21,192,325</u>

**PECOS COUNTY, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

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

Net change in fund balances - governmental funds	\$ 2,520,857
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period net of disposition of capital assets.	584,840
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to decrease net assets.	(26,866)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,392,863)
Net changes in revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned, but unavailable revenues.	77,050
The issuance of long-term debt (e.g. bonds, leases) 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, discounts, 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 and related items.	368,367
Internal service funds are used by management to charge the costs of self-insurance in individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(272,359)</u>
Change in net position of governmental activities	<u>\$ (140,974)</u>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
ASSETS		
Cash and investments	\$ 4,060,831	\$ 2,068,714
Accounts receivable	4,707,897	436,897
Other assets	1,008,835	-
Capital assets, net	16,491,749	-
TOTAL ASSETS	\$ 26,269,312	\$ 2,505,611
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,019,607	\$ 102,227
Due to County	221,232	-
Estimated health claims payable	-	525,253
Noncurrent liabilities:		
Due within one year	2,464,938	-
Due in more than one year	11,206,133	-
TOTAL LIABILITIES	15,911,910	627,480
NET POSITION		
Net investment in capital assets	13,407,301	-
Unrestricted	(3,049,899)	1,878,131
TOTAL NET POSITION	10,357,402	\$ 1,878,131
Reconciliation to government-wide statement of net position:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(872,586)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 9,484,816	

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED DECEMBER 31, 2013**

	Business -Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
OPERATING REVENUES		
Net patient service revenue	\$ 22,564,347	\$ -
Other revenue	1,999,090	-
Charges for service	-	5,694,487
Total operating revenues	24,563,437	5,694,487
OPERATING EXPENSES		
Operating expenses	28,989,727	-
Depreciation	1,772,504	-
Claims	-	5,099,006
Administration - health	-	1,166,105
Administration - dental	-	36,201
Administration - life	-	19,198
Total operating expenses	30,762,231	6,320,510
OPERATING LOSS	(6,198,794)	(626,023)
NON-OPERATING REVENUES (EXPENSES)		
Noncapital grants and contributions	49,163	-
Indigent care support	732,534	-
Intergovernmental expense	(461,316)	-
Interest earned on investments	28,848	24,511
Interest expense	(112,645)	-
Total nonoperating revenues (expenses)	236,584	24,511
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(5,962,210)	(601,512)
CAPITAL GRANTS AND CONTRIBUTIONS	85,508	-

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

	Business - Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
Transfers in	4,073,485	-
Total transfers	4,073,485	-
CHANGE IN NET POSITION	(1,803,217)	(601,512)
NET POSITION, beginning of year	12,160,619	2,479,643
NET POSITION, end of year	\$ 10,357,402	\$ 1,878,131
Reconciliation to government-wide statements of net assets:		
Change in net position	\$ (1,803,217)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund.	(329,153)	
Change in net position of business-type activities	\$ (2,132,370)	

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients and third-party payors	\$ 23,186,997	\$ -
Other receipts and payments from operations, net	1,598,619	-
Receipts from participants	-	5,259,190
Payments to employees	(19,787,339)	-
Payments to suppliers	(5,990,370)	(6,068,412)
Net cash used in operating activities	(992,093)	(809,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	28,848	24,511
Net cash provided by investing activities	28,848	24,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and contributions	85,508	-
Advances from Pecos County for capital expenditures	500,000	-
Principal payments of long-term debt and notes payable	(336,004)	-
Interest payments on long-term debt and notes payable	(28,675)	-
Purchase of capital assets	(1,081,807)	-
Net cash used in capital and related financing activities	(860,978)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments for intergovernmental transfers	(501,265)	-
Advances from Pecos County for operations	2,929,515	-
Noncapital gains and contributions	49,163	-
Net cash provided by noncapital financing activities	2,477,413	-
Net increase (decrease) in cash and investments	653,190	(784,711)
CASH AND INVESTMENTS, beginning of year	3,407,641	2,853,425
CASH AND INVESTMENTS, end of year	\$ 4,060,831	\$ 2,068,714

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2013
 (CONTINUED)**

	Business-Type Activities Pecos County Memorial Hospital Fund	Governmental Activities Internal Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (6,198,794)	\$ (626,023)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,772,504	-
Provision for bad debt	4,419,519	-
Indigent care support	732,534	-
Other post employment benefit	2,321,731	-
Bond issuance costs	29,722	-
Change in assets and liabilities:		
Accounts receivable	(4,640,808)	(435,297)
Other assets	(108,018)	-
Accounts payable and accrued expenses	679,517	102,227
Health claims payable	-	149,871
Net cash used in operating activities	\$ (992,093)	\$ (809,222)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital lease obligations incurred for capital assets	\$ 130,274	\$ -
Reduction of long-term debt on behalf of the hospital	\$ 560,000	\$ -
Interest expense related to reduction of long-term debt	\$ 83,970	\$ -
Capital asset purchases included in accounts payable	\$ 181,880	\$ -

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 DECEMBER 31, 2013**

	Agency Funds
ASSETS	
Cash	\$ 794,486
TOTAL ASSETS	\$ 794,486
LIABILITIES	
Accounts payable	\$ 38,249
Due to other governments	73,977
Due to beneficiaries	682,260
TOTAL LIABILITIES	\$ 794,486

The Notes to Financial Statements are an integral part of these statements.

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PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Pecos County, Texas (the County) performs all local government functions within its jurisdiction. The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to Pecos County, Texas. The County provides the following services to its citizens: public safety, health and welfare, public facilities, judicial and legal, election functions, public transportation through roads and bridges, and general and financial administrative services.

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

A. Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

In addition, Governmental Accounting Standards Board Statement Number 39, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Financial Reporting Entity – Continued

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

The component units discussed in this note are included in the County's reporting entity because of the nature and significance of their operational or financial relationships with the County.

Blended Component Units:

There are no blended component units.

Discretely Presented Component Units:

There were no discretely presented component units in 2013.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level whereas financial statements prior to GASB No. 34 focused on reporting by fund-type. 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 for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an “assets minus liabilities equal net position” format with net position reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County’s functions (General, Judicial, Financial Administration, Public Facilities, Public Safety, Public Service, Health and Welfare, Cultural and Recreation, Highways and Streets, Conservation and Airport) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of “doubling up” internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual assets of internal service funds are reported with governmental activities at the entity-wide level.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds (defined by GASB Statements), and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County’s programs. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column.

The fund level statements for proprietary funds contain enterprise and internal service funds.

The focus of fiduciary funds is on net position and changes in net position. These funds report assets held in a trustee or agency capacity by the County for the benefit of others and cannot be used to support County activities.

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

Governmental Funds

The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

Governmental Funds – Continued

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund of the County. It is used to account for the expenditures of the four different precincts and for the highway and streets expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are legally restricted to expenditures for the specified purpose of the retirement of long-term debt, including debt principal, interest and related costs.

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds – The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

The County reports the following major proprietary funds:

Pecos County Memorial Hospital Enterprise Fund

The Hospital is operated under a Board of Directors, which is appointed by the elected county commissioners. The County's general fund subsidizes the Hospital as needed with a budgeted portion of the ad valorem tax revenue assessed by the County each year. The Hospital's funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Separate financial statements for the Hospital may be obtained by contacting the Pecos County Memorial Hospital.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

Pecos County Memorial Hospital Enterprise Fund – Continued

In addition, the County reports the following proprietary fund as an internal service fund:

Health Self-Insurance Fund

Internal Service Funds – The County utilizes an Internal Service Fund to account for its health self-insurance plan. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the County. See Note 10 for additional discussion of the County’s self-insurance plan.

Fiduciary Fund Type – Agency Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, as amended by GASB Statement Nos. 34 and 36. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County’s depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Property taxes are levied on October 1 for the next calendar year. Special assessments due within the current fiscal period are recorded as revenue of the current period.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

General Fund – Ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds – Federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund – Ad valorem taxes and interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's cash deposits at December 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank.

E. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are cancelled and become available for future appropriation.

F. Property Taxes

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The County is permitted by the Municipal Finance Law of the state of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the state of Texas. The tax rate for the year ended December 31, 2013, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$0.594 per \$100 valuation. The total tax rate for all purposes was \$0.6290 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Inventories

Inventories are stated at the lower cost or market using the first-in, first-out method. Inventories for all funds consist of expendable supplies held for consumption, and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost 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.

Depreciable capital assets are depreciated using the straight-line method over the asset’s estimated useful life as follows:

Buildings	25-50	years
Improvements other than buildings	5-30	years
Machinery and equipment	5-30	years
Infrastructure	15-35	years

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Deferred Inflows of Resources

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

K. Fund Balance

The County has adopted the provisions of Governmental Accounting Standards Board Statement. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the County classifies governmental fund balances effective with its financial statements as follows:

1. Nonspendable Fund Balance:
 - a. Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Fund Balance – Continued

2. Spendable Fund Balance:

- a. Restricted Fund Balance – Includes amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or other governments' laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation. Examples include federal and state grant programs, taxes restricted for retirement of long-term debt, and specific bond proceeds. In addition, certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted.
- b. Committed Fund Balance – Includes amounts constrained to specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The commissioners' court must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. The County has no committed fund balances.
- c. Assigned Fund Balance – Includes amounts intended to be used by the County for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. The County has delegated to the County Judge and County Auditor the ability to determine and define the amounts of those components of fund balance that are classified as Assigned.
- d. Unassigned Fund Balance – Includes the residual classification of the General Fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the County has implicitly assigned the funds for the purposes of those particular funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The County passed a resolution to establish a minimum fund balance policy. The policy states the County shall strive to achieve a yearly fund balance in the general operating fund in which the total fund balance is equal to 25% of the total operating expenditures.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted. A value from the mineral rights has not been reported in these financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, unrestricted resources are applied first.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During fiscal year 2013, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. Change in Accounting Principle

During 2013, the County implemented Governmental Accounting Standards Board (GASB) Statement 65. *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result, certain items that were formerly reported as assets and liabilities are now reclassified and recognized as one of four financial statement elements; 1) deferred outflows of resources; 2) outflows of resources, 3) deferred inflows of resources, and 4) inflows of resources.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Restatement of Beginning Net Position

Due to the change in accounting principle described in Note 1, letter O, beginning net position has been decreased by \$80,454 from \$31,164,653 to \$31,084,199 for governmental activities.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$(19,345,952) difference is as follows:

Bonds, certifications of obligations and tax notes payable	\$ (2,470,000)
Bond premium liability	(108,259)
Grant liability	(243,694)
Accrued interest payable	(8,256)
Compensated absences	(1,087,447)
Other post employment benefits	<u>(15,428,296)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> <i>to arrive at net position – governmental activities</i>	<u><u>\$ (19,345,952)</u></u>

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$584,840 difference is as follows:

Capital outlay	\$ 2,477,373
Depreciation expense	<u>(1,892,533)</u>
<i>Net adjustment to increase net change in fund balances- total governmental funds to arrive at change in net position of governmental activities.</i>	
	<u><u>\$ 584,840</u></u>

Another element of that reconciliation states that, “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease the net position.” The details of this \$(26,866) difference are as follows:

The statement of activities reports gains (losses) arising from the disposition of capital assets, and the governmental funds only report proceeds received.	<u><u>\$ (26,866)</u></u>
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Another element of that reconciliation states that “some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The detail of this \$(3,392,863) difference is as follows:

Net change in compensated absences	\$ (695)
Net change in interest accrual	1,955
Net change in other post employment benefits	<u>(3,394,123)</u>
<i>Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities</i>	
	<u><u>\$ (3,392,863)</u></u>

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities. – Continued

Another element of that reconciliation states that the “issuance of long-term debt (e.g., bonds, leases) 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, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this \$368,367 difference is as follows:

Grant repayment expense	\$ (423,694)
Amortization of bond issuance costs	27,061
Principal repayments:	
Refunding bonds	585,000
Grant repayment	180,000
<i>Net adjustment to increase net change in fund balances total governmental funds to arrive at change in net position of governmental activities</i>	<i>\$ 368,367</i>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEFICIT FUND EQUITY

All of the County’s funds held positive fund equity at December 31, 2013.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS

The County invests its funds in investments authorized by Texas law in accordance with investment policies approved by the County Commissioners. Both state law and the County's investment policies are subject to change.

Under current Texas law, the County is authorized to invest in: (1) obligations of the United States or its instrumentalities, (2) direct obligations of the state of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the state of Texas or the United States or its instrumentalities, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state of Texas or the United States or its instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or any other manner or amount provided by law for County deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause one, and are placed through a primary government securities dealer or a bank domiciled in the state of Texas, (8) bankers acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies, or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (10) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) bonds issued, assumed, or guaranteed by the state of Israel, and (12) a qualified common trust fund or comparable investment device that is owned or administered by a Texas domiciled bank and consists exclusively of obligations as described above. The County may invest in such obligations directly or through government investment pools that invest solely in such obligations.

Investment Policies

Under Texas law, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Investment Policies – Continued

Under Texas law and County policy, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all County funds must be invested in investments that protect principal, are consistent with the operating requirements of the County, and yield the highest possible rate of return.

Objectives

Funds of the County are invested in accordance with state law, IRS arbitrage regulations, investment policies and written administrative procedures. The County's objectives in managing its investment portfolios are as follows:

1. Safety – The first and foremost consideration of any custodian of public funds must be safety of the principal amount involved.
2. Liquidity – The County must have cash or “near cash” on hand to meet current obligations.
3. Legality – Any investment should clearly be legal under state law, county investment policy and IRS arbitrage regulations.
4. Income – While it is certainly desirable to show a high effective rate of return on invested funds, it is important to recognize that it is essential to keep every dollar working every day, even at a reduced rate of return.
5. Flexibility – This means not only the ability to convert an investment to cash, but also the option to convert a security to a higher rate of interest, a better maturity, or both. In addition, flexibility allows the use of various investment tools available.

During the year ended December 31, 2013 the County invested in mutual funds with ICT-Government Securities Portfolio.

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

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Objectives – Continued

Investments owned by the County at December 31, 2013 are shown below:

	Fair Value	Credit Risk
ICT-Government Securities Portfolio	\$ 12,708,780	AAA _m – S & P
	<u>\$ 12,708,780</u>	

Because the County's investments are in external pools, their investments are not exposed to credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments in external pools are excluded from disclosure regiments of concentration of credit and from disclosure of interest rate risk.

The County's cash accounts are categorized to give an indication of the level of credit risk assumed at year-end. The categories are defined as:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department agent, but not in the entity's name.

At year-end, the carrying amount of the County's cash and cash equivalents was \$21,998,465 (bank deposits were \$17,937,634 in governmental activities, \$4,060,831 in business-type activities and \$794,486 in agency funds). The bank balances totaled \$23,978,821 of which \$271,748 was covered by Federal Depository Insurance Corporation (FDIC) and \$23,707,073 was covered by collateral held by the pledging banks' agent for the County in the County's name (or Category 1 above).

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

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Objectives – Continued

Interest Rate Risk – In compliance with the County’s investment policy, as of December 31, 2013, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the County’s investment policy, as of December 31, 2013, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in ICT Government Securities that were rated AAA, AAA, and Aaa by Standard & Poor’s, Fitch and Moody’s, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

NOTE 5. RECEIVABLES

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road and Bridge Fund	Debt Service Fund	Nonmajor Funds	Business- Type Activities	Internal Service Funds	Total
Receivables:							
Taxes	\$ 15,064,800	\$ 2,374,765	\$ 1,026,726	\$ -	\$ -	\$ -	\$ 18,466,291
Other	350,541	7,783	-	82,205	19,331,022	436,897	20,208,448
Fines and fees	<u>8,375,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,375,612</u>
Gross receivables	23,790,953	2,382,548	1,026,726	82,205	19,331,022	436,897	47,050,351
Less: allowance for uncollectibles	<u>(8,256,013)</u>	<u>(217,179)</u>	<u>(87,204)</u>	<u>-</u>	<u>(14,623,125)</u>	<u>-</u>	<u>(23,183,521)</u>
Net total receivables	<u>\$ 15,534,940</u>	<u>\$ 2,165,369</u>	<u>\$ 939,522</u>	<u>\$ 82,205</u>	<u>\$ 4,707,897</u>	<u>\$ 436,897</u>	<u>\$ 23,866,830</u>

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

NOTE 5. RECEIVABLES – CONTINUED

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned, such as property tax revenue that is levied for the following fiscal year. 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:

Property taxes	\$	22,743,035
Other		1,550,492
Total	\$	<u>24,293,527</u>

NOTE 6. CAPITAL ASSETS

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

	Balance 12/31/2012	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,260,531	\$ -	\$ -	\$ 1,260,531
Construction-in-progress	504,172	331,600	-	835,772
Total capital assets, not being depreciated	<u>1,764,703</u>	<u>331,600</u>	<u>-</u>	<u>2,096,303</u>
Capital assets, being depreciated:				
Buildings	19,394,036	151,850	-	19,545,886
Improvements other than buildings	5,591,628	217,683	-	5,809,311
Machinery and equipment	13,615,077	1,679,300	(434,660)	14,859,717
Infrastructure	1,139,611	96,940	-	1,236,551
Total capital assets, being depreciated	<u>39,740,352</u>	<u>2,145,773</u>	<u>(434,660)</u>	<u>41,451,465</u>
Less accumulated depreciation for:				
Buildings	(6,106,904)	(401,812)	-	(6,508,716)
Improvements other than buildings	(2,525,288)	(205,761)	-	(2,731,049)
Machinery and equipment	(7,630,884)	(1,232,878)	407,794	(8,455,968)
Infrastructure	(644,901)	(52,082)	-	(696,983)
Total accumulated depreciation	<u>(16,907,977)</u>	<u>(1,892,533)</u>	<u>407,794</u>	<u>(18,392,716)</u>
Total capital assets being depreciated, net	<u>22,832,375</u>	<u>253,240</u>	<u>(26,866)</u>	<u>23,058,749</u>
Governmental activities capital assets, net	<u>\$ 24,597,078</u>	<u>\$ 584,840</u>	<u>\$ (26,866)</u>	<u>\$ 25,155,052</u>

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

NOTE 6. CAPITAL ASSETS – CONTINUED

	Balance 12/31/2012	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2013
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ -	\$ 54,450	\$ -	\$ 54,450
Construction-in-progress	579,946	295,716	(579,946)	295,716
Total capital assets, not being depreciated	579,946	350,166	(579,946)	350,166
Capital assets, being depreciated:				
Land improvements	602,036	88,791	3,000	693,827
Buildings and improvements	21,156,243	482,387	576,946	22,215,576
Equipment	10,325,456	342,343	(12,480)	10,655,319
Leased assets	1,659,244	130,274	-	1,789,518
Capitalized interest	1,746,954	-	-	1,746,954
Total capital assets, being depreciated	35,489,933	1,043,795	567,466	37,101,194
Less accumulated depreciation for:				
Land improvements	(517,664)	(21,749)	-	(539,413)
Buildings and improvements	(9,674,082)	(677,839)	-	(10,351,921)
Equipment	(7,734,309)	(686,638)	12,480	(8,408,467)
Leased assets	(809,432)	(342,604)	-	(1,152,036)
Capitalized interest	(464,100)	(43,674)	-	(507,774)
Total accumulated depreciation	(19,199,587)	(1,772,504)	12,480	(20,959,611)
Total capital assets being depreciated, net	16,290,346	(728,709)	579,946	16,141,583
Business-type activities capital assets, net	<u>\$ 16,870,292</u>	<u>\$ (378,543)</u>	<u>\$ -</u>	<u>\$ 16,491,749</u>

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

NOTE 6. CAPITAL ASSETS – CONTINUED

Primary Government

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

General government	\$ 113,759
Judicial	32,574
Law enforcement	351,640
Corrections	39,632
Health and welfare	251,489
Fire protection	64,439
Culture and recreation	308,258
Library	14,440
Building maintenance	12,410
Conservation	3,222
Highway and streets	651,154
Airport	<u>49,516</u>
 Total depreciation expense – governmental activities	 <u><u>\$ 1,892,533</u></u>
 Business-type activities:	
 Pecos County Memorial Hospital	 <u>\$ 1,772,504</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 1,772,504</u></u>

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

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of December 31, 2013:

Fund	Receivable	Payable
General fund	\$ 302,135	\$ 209
Nonmajor governmental funds:		
Crime victims services	-	13,815
Border prosecution	-	34,251
Local border security - LBSP - 13	-	19,662
High intensity drug trafficking	-	13,152
County attorney hot check	186	-
Total nonmajor governmental funds	186	80,880
Enterprise fund:		
Pecos County Memorial Hospital	-	221,232
Total all funds	\$ 302,321	\$ 302,321

NOTE 8. LONG-TERM DEBT

Governmental Activities

Refunding Bonds

The County issued \$3,085,000 General Obligation Refunding Bonds, Series 2011 for the purpose of refunding the Certificates of Obligation 2002 Series Certificates above. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt group. Principal payments are due in annual installments on May 1, maturing in May 2017. Interest is payable May 1 and November 1, at interest rates ranging from 2.00% to 3.00%. The issuance of the General Obligation Refunding Bonds Series 2011 produced a present value savings of \$256,867 and actual debt service savings of \$271,798, net of any issuer contribution to the refunding, being equal to 8.299% net present value savings for the Refunded Obligations. The outstanding balance at December 31, 2013 was \$2,470,000.

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

NOTE 8. LONG-TERM DEBT – CONTINUED

Business-Type Activities

General Obligation Bonds

The County issued \$5,000,000 of General Obligation Bonds, Series 2008 for the purpose of constructing, enlarging and equipping the County Hospital with a physical therapy/wellness center. Principal payments are due in annual installments on February 1, maturing in 2017. Interest is payable February 1 and August 1, at an interest rate of 3.11%. The outstanding balance at December 31, 2013 is \$2,420,000.

The following is a summary of changes in general long-term debt:

Primary Government

	Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013	Amount Due within one year
Governmental Activities:					
Refunding bonds	\$ 3,055,000	\$ -	\$ 585,000	\$ 2,470,000	\$ 600,000
Unamortized bond premium	135,320	-	27,061	108,259	-
Grant repayment	-	423,694	180,000	243,694	100,000
Accrued compensation	1,086,752	695	-	1,087,447	135,932
Other post employment benefits obligation	12,034,173	3,394,123	-	15,428,296	652,119
Total governmental activities	\$ 16,311,245	\$ 3,818,512	\$ 792,061	\$ 19,337,696	\$ 1,488,051
	Restated Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013	Amount Due within one year
Business-type activities:					
General obligation bonds	\$ 2,980,000	\$ -	\$ 560,000	\$ 2,420,000	\$ 575,000
Capital lease obligation	870,178	130,274	336,004	664,448	259,333
Accrued compensation	1,036,611	288,389	-	1,325,000	1,325,000
Other post employment benefits obligation	6,939,892	2,321,731	-	9,261,623	305,605
Total business-type activities	\$ 11,826,681	\$ 2,740,394	\$ 896,004	\$ 13,671,071	\$ 2,464,938

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

NOTE 8. LONG-TERM DEBT – CONTINUED

The following is a summary of debt service requirements for the general obligation bonds, certificates of obligation, tax notes and refunding bonds:

Year	Governmental Activities			Business-type Activities		
	Bonds Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 600,000	\$ 56,050	\$ 656,050	\$ 575,000	\$ 66,321	\$ 641,321
2015	605,000	44,000	649,000	595,000	48,127	643,127
2016	625,000	28,575	653,575	615,000	29,312	644,312
2017	640,000	9,600	649,600	635,000	9,874	644,874
	<u>\$ 2,470,000</u>	<u>\$ 138,225</u>	<u>\$ 2,608,225</u>	<u>\$ 2,420,000</u>	<u>\$ 153,634</u>	<u>\$ 2,573,634</u>

Capital Lease Obligations

The County entered into certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the governmental activities column of the statement of net assets. Governmental activities assets under capital leases totaled \$1,679,305 at December 31, 2013 and are included in the capital assets being depreciated. The outstanding balance of governmental activities capital lease obligations at December 31, 2013 was \$0. Business-type activities assets under capital leases total \$1,789,518 at December 31, 2013. The outstanding balance of business-type activities capital lease obligations at December 31, 2013 was \$664,448.

The following is a summary of debt service requirements for the Capital Lease Obligations:

Total Year End Requirements	Governmental Activities	Business-type Activities
2014	\$ -	\$ 295,086
2015	-	198,864
2016	-	166,496
2017	-	58,596
2018	-	17,718
Minimum lease payments	-	736,760
Less: Amount representing interest	-	(72,312)
Present value of minimum lease payments	<u>\$ -</u>	<u>\$ 664,448</u>

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT – CONTINUED

Grant Repayment Liability

In October 2010, the County received the Texas Community Development Block Grant (TxCDBG) to construct one new water well and replace ten failing on-site sewage facilities with service connections. During 2013, the water well was determined to be non-compliant with Housing and Urban Development National Program Objective requirements and consequently all costs associated with the water well were disallowed. The County entered into an agreement with the granting agency for repayment of the costs associated with the water well. The total amount of the liability was \$423,694. As of December 31, 2013 the outstanding liability is \$243,694 with \$100,000 being due December 30, 2014 and \$143,694 being due March 2, 2015.

NOTE 9. COMPENSATED ABSENCES

Governmental Activities:

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation, compensatory pay and sick pay are paid upon termination. The amount of sick leave paid is dependent on the number of years of service. The liability for accrued vacation, compensatory pay and sick pay is shown as a long-term obligation. At December 31, 2013 the value of accumulated vacation, compensatory benefits and sick time amounted to \$1,087,447 which is a net increase of \$695 from the prior year. The estimated amount that is current is \$135,932.

Business-type activities:

As of December 31, 2013, the Hospital has accrued a compensated absences liability of \$1,325,000, which is an increase of \$288,389 from the prior year.

NOTE 10. HEALTHCARE COVERAGE

During the year ended December 31, 2013, employees of Pecos County, Texas were covered by a self-funded health insurance plan (the Plan). The County contributes \$733 per month per employee for coverage. Employees authorize payroll withholdings to pay for a portion of the premium. The Plan is accounted for in the Self-Insurance Health Fund, an internal service fund. Should the Plan's income from operations for a given Plan year be inadequate to pay the ultimate cost of claims incurred in that Plan year, the General fund is liable to pay the additional claims.

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

NOTE 10. HEALTHCARE COVERAGE – CONTINUED

The County obtained excess loss insurance, which limited annual claims paid from the fund for the year ended December 31, 2013 to \$100,000 for any individual participant and an aggregate limit equal to \$5,854,715.

Estimates of claims payable and of claims incurred but not reported at December 31, 2013, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year ended December 31, 2013</u>	<u>Year ended December 31, 2012</u>
Unpaid claims, beginning of year	\$ 375,382	\$ 320,189
Incurred claims, (including IBNR)	5,340,568	4,802,429
Claim payments	<u>(5,190,697)</u>	<u>(4,747,236)</u>
Unpaid claims, end of year	<u>\$ 525,253</u>	<u>\$ 375,382</u>

NOTE 11. RETIREMENT PLAN

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis.

The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the commissioners' court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more.

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

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Plan Description – Continued

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the commissioners' court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute.

At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

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

The deposit rate payable by the employee members for calendar year 2013 was the rate of 7.0% as adopted by the commissioners' court. The employee deposit rate and the employer contribution rate may be changed by the commissioners' court within the options available in the TCDRS Act.

Annual Pension Cost

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed period. The remaining amortization period at December 31, 2013 was 20 years. For the employer's accounting year ended December 31, 2013, the annual pension cost for the TCDRS plan for its employees was \$1,987,873 and the actual contributions were \$1,987,873.

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

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 83.88% funded. The actuarial accrued liability for benefits was \$49,528,590 and the actuarial value of assets was \$41,546,409, resulting in an unfunded actuarial accrued liability (UAAL) (or OAAL) of \$7,982,181. The covered payroll (annual payroll of active employees covered by the plan) was \$20,881,018, and the ratio of the UAAL (or OAAL) to the covered payroll was 38.23%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 for benefits.

Actuarial Valuation Information			
	12/31/2011	12/31/2012	12/31/2013
Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method	10 year smoothed value	10 year smoothed value	5 year smoothed value
	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost of living adjustments	0.00%	0.00%	0.00%

* Includes inflation at the stated rate

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

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Funding Status and Funding Progress – Continued

Trend Information
for the Retirement Plan for Employees of
Pecos County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	\$ 1,343,357	100%	\$0
12/31/2012	1,655,260	100%	0
12/31/2013	1,987,873	100%	0

Optional Group Term Life Fund

Pecos 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 Optional Group Term Life Fund (OGTLF). 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 OGTLF 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 OGTLF. This report may be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Funding Policy

Each participating employer contributes to the OGTLF 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. Pecos County's contributions to the OGTLF for the year ended December 31, 2013, totaled \$68,907 which equaled the contractually required contribution.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

Pecos County provides post-employment healthcare benefits to its retired employees with 12 or more years of service. The plan provides medical insurance to plan members and their spouses. Membership in the plan at December 31, 2013, data used for the latest actuarial valuation, consists of the following:

	<u>County</u>	<u>Hospital</u>
Retirees	79	37
Covered retiree spouses	35	15
Active members	233	205

Funding Policy

Local Government Code Section 157.1010 assigns the authority to establish and amend benefit provisions to the commissioners' court. The County is under no legal obligation to pay these premiums, and the decision to provide these benefits is made by the commissioners' court on a year-to-year basis.

At December 31, 2013 retirees do not pay a premium at any time, but do pay \$50 per month for their spouse's premium.

The rates are set annually by the Commissioners' Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The plan is funded on a pay-as-you-go basis. For the year ended, December 31, 2013, the County contributed approximately \$1,430,318. Administrative costs are provided through the annual rate calculation.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County implemented the requirements of GASB Statement No. 45 during the fiscal year ended December 31, 2011, and continued those requirements for the fiscal years thereafter.

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

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Annual OPEB Cost

The County’s OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount expected to be contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 5,827,514
Interest on net OPEB obligation	<u>758,963</u>
Annual OPEB cost (expense)	6,586,477
Contributions made*	<u>(870,623)</u>
 Increase in net OPEB	 5,715,854
 Net OPEB obligation, beginning of year	 <u>18,974,065</u>
Net OPEB obligation, end of year	<u><u>\$ 24,689,919</u></u>

For 2013, the County’s annual OPEB cost (expense) of \$6,586,477 for the post-employment healthcare plan was equal to the annual required contributions (ARC) of each. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 4,638,657	\$ 772,291	16.6%	\$ 13,471,789
12/31/2012	6,366,386	864,110	13.6%	18,974,065
12/31/2013	6,586,477	870,623	13.2%	24,689,919

**For illustration purposes, we have shown Pecos County contributions to be equal to expected benefit payments during each fiscal year. GASB 45 defines contributions for this purpose to be actual benefits payments during the year and contributions made to a separate, irrevocable trust.*

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

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Funded Status

The funded status of the plan as of December 31, 2013 was as follows:

Schedule of Funding

Actuarial Accrued Liability (AAL)	\$ 38,301,102
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	38,301,102
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	N/A
Unfunded Actuarial Accrued Liability (UAAL) as Percentage of Covered Payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

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

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Actuarial Methods and Assumptions – Continued

Discount Rate

Pay-as-you-go:
4.0% Effective annual rate

Health Cost Trend

County:

Without Medicare:

6.7% in the first year, 6.3% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

With Medicare:

5.6% in the first year, 5.7% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

Hospital:

Without Medicare:

6.7% in the first year, 6.3% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

With Medicare:

5.6% in the first year, 5.7% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

The unfunded actuarial accrued liability is being amortized as a level dollar, on a closed basis. The amortization period is 30 years.

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

NOTE 12. OPERATING LEASES

The County's has entered into noncancellable operating leases for various equipment. The future minimum rental commitments for those leases at December 31, 2013 are as follows:

Total Year End Requirements	Governmental Activities	Business-type Activities
2014	\$ 44,015	\$ 66,060
2015	24,707	37,494
2016	11,628	20,979
2017	13,417	-
Present value of minimum lease payments	<u>\$ 93,766</u>	<u>\$ 124,533</u>

NOTE 13. CONTINGENT LIABILITIES

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

In the normal course of business, the County has been named in several civil lawsuits. The outcome of these cases cannot presently be determined; however, County management is of the opinion that the settlement of pending litigation will not have a material adverse effect on the County's financial statements.

NOTE 14. ADDITIONAL ENTERPRISE FUND DISCLOSURES

Accounts receivable consists of the following at December 31, 2013:

	Pecos County Memorial Hospital
Gross accounts receivable	\$ 19,331,022
Less: allowance for bad debts and contractual adjustments	<u>(14,623,125)</u>
Accounts receivable, net of allowance	<u>\$ 4,707,897</u>

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 14. ADDITIONAL ENTERPRISE FUND DISCLOSURES – CONTINUED

Net patient revenue – the Hospital had an agreement with third-party payors that provided for payments to the Hospital at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The major third-party payors are Medicare, Medicaid, and other commercial insurance carriers and preferred provider organizations.

NOTE 15. NEW PRONOUNCEMENTS

In August 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB 68 addresses new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, Statement No. 68 establishes:

Standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures;

For defined benefit pensions, the methods and assumptions that should be used for employee benefits when projecting those benefits, discounting the projections, and attributing the discounted projections to certain periods;

Note disclosures and supplementary information based on (1) the number of employers with employees covered by the plan, and (2) whether pension obligations and plan assets are shared; and

Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014, with earlier application encouraged.

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

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 15. NEW PRONOUNCEMENTS – CONTINUED

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70) which is intended to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. A nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71) which addresses an issue regarding application of the transition provision of GASB Statement No 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement is effective for financial statements for reporting periods beginning after June 15, 2014 and must be applied simultaneously with GASB Statement No. 68.

Pecos County management is reviewing the implementation process by gathering required information.

REQUIRED SUPPLEMENTAL INFORMATION

**PECOS COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013**

Texas County and District Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
12/31/2009	\$ 32,407,603	\$ 36,098,009	\$ 3,690,406	89.78%	\$ 14,222,890	25.95%
12/31/2010	34,628,630	39,887,823	5,259,193	86.82%	15,025,961	35.00%
12/31/2011	36,125,629	43,231,265	7,105,636	83.56%	16,708,422	42.53%
12/31/2012	38,839,202	46,995,010	8,155,808	82.65%	18,595,904	43.86%
12/31/2013	41,546,409	49,528,590	7,982,181	83.88%	20,881,018	38.23%

Retiree Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2011	\$ -	\$ 29,826,753	\$ 29,826,753	0.00%	N/A	N/A
12/31/2012	-	29,826,753	29,826,753	0.00%	N/A	N/A
12/31/2013	-	38,301,102	38,301,102	0.00%	N/A	N/A

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 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	\$ 18,519,238	\$ 18,519,238	\$ 18,505,128	\$ (14,110)
Fines and forfeitures	2,900	2,900	13,388	10,488
Intergovernmental	318,250	426,250	367,937	(58,313)
Charges for services	1,967,150	1,967,150	2,346,038	378,888
Payment in lieu of taxes	2,792,480	2,351,809	2,351,560	(249)
Royalties	100,000	100,000	206,094	106,094
Interest	312,500	312,500	197,124	(115,376)
Other	316,044	316,044	544,059	228,015
Total revenues	<u>24,328,562</u>	<u>23,995,891</u>	<u>24,531,328</u>	<u>535,437</u>
EXPENDITURES				
Current				
General government				
Office of the County Judge	186,640	187,510	172,816	14,694
Office of the County Clerk	387,759	392,259	332,505	59,754
Veterans' Administration	52,925	52,926	52,696	230
Commissioners' Court	959,100	959,100	830,654	128,446
Nondepartmental	5,171,002	3,909,431	3,335,964	573,467
Total general government	<u>6,757,426</u>	<u>5,501,226</u>	<u>4,724,635</u>	<u>776,591</u>
Judicial				
Office of the District Clerk	258,884	258,885	247,757	11,128
County Court at Law	36,000	36,000	32,162	3,838
83rd District Court	194,058	194,058	173,901	20,157
112th District Court	286,109	286,576	169,541	117,035
Office of the 83rd District Attorney	127,418	364,192	348,282	15,910
Office of the 112th District Attorney	280,252	279,786	272,984	6,802
Justice of the Peace #1	242,251	253,463	244,280	9,183
Justice of the Peace #3	102,136	102,136	97,103	5,033
Justice of the Peace #4	38,317	38,317	34,977	3,340
Justice of the Peace #6	102,757	102,757	99,864	2,893
Office of the County Attorney	304,108	304,108	298,910	5,198
County Law Library	20,820	20,820	17,172	3,648
Total judicial	<u>1,993,110</u>	<u>2,241,098</u>	<u>2,036,933</u>	<u>204,165</u>
Financial Administration				
Office of the County Auditor	366,122	367,129	363,975	3,154
Office of the County Treasurer	128,109	128,109	126,346	1,763
Office of the Tax Assessor Collector	378,758	378,758	374,924	3,834
Data processing	436,000	508,975	406,401	102,574
Total financial administration	<u>1,308,989</u>	<u>1,382,971</u>	<u>1,271,646</u>	<u>111,325</u>

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Law enforcement				
Constable Precinct #1	\$ 24,312	\$ 24,312	\$ 23,821	\$ 491
Constable Precinct #3	23,918	24,621	24,532	89
Constable Precinct #4	24,903	24,903	24,459	444
Constable Precinct #6	24,115	24,115	23,867	248
Public Safety Department	2,900	3,300	2,963	337
Office of the Sheriff	1,506,869	1,526,832	1,498,253	28,579
Emergency Management/Homeland Security	87,495	86,759	78,739	8,020
Total law enforcement	<u>1,694,512</u>	<u>1,714,842</u>	<u>1,676,634</u>	<u>38,208</u>
Corrections				
Correctional facility	678,127	678,127	629,190	48,937
Adult probation	38,638	38,638	37,862	776
Juvenile probation	343,766	343,766	258,957	84,809
Total corrections	<u>1,060,531</u>	<u>1,060,531</u>	<u>926,009</u>	<u>134,522</u>
Health and welfare				
Health	3,430,000	-	-	-
Sanitation department	48,300	57,300	56,821	479
EMS	2,155,912	2,055,911	1,828,886	227,025
Social services	72,000	74,360	51,404	22,956
Total health and welfare	<u>5,706,212</u>	<u>2,187,571</u>	<u>1,937,111</u>	<u>250,460</u>
Fire protection	412,700	461,179	445,863	15,316
Culture and recreation				
Recreation	120,300	120,300	120,217	83
Fort Stockton Golf Course	575,408	551,143	529,878	21,265
Iraan Golf Course	213,986	221,476	213,177	8,299
Park #1	189,122	184,729	184,102	627
Park #2	467,212	468,572	423,545	45,027
Park #3	298,809	324,141	317,509	6,632
Park #4	237,892	253,560	216,346	37,214
Historical Commission	18,836	18,836	11,791	7,045
Total culture and recreation	<u>2,121,565</u>	<u>2,142,757</u>	<u>2,016,565</u>	<u>126,192</u>

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Libraries				
Fort Stockton library	\$ 334,560	\$ 334,560	\$ 301,966	\$ 32,594
Imperial library	45,114	45,115	43,599	1,516
Iraan library	99,747	99,747	95,691	4,056
Total libraries	<u>479,421</u>	<u>479,422</u>	<u>441,256</u>	<u>38,166</u>
Building maintenance	<u>412,953</u>	<u>418,921</u>	<u>370,916</u>	<u>48,005</u>
Utilities	<u>777,000</u>	<u>771,000</u>	<u>612,116</u>	<u>158,884</u>
Conservation	<u>162,269</u>	<u>162,269</u>	<u>145,697</u>	<u>16,572</u>
Public service				
Elections	63,737	63,737	21,101	42,636
Pecos County Water	160,159	178,156	160,148	18,008
Miscellaneous	199,268	179,268	170,932	8,336
Total public service	<u>423,164</u>	<u>421,161</u>	<u>352,181</u>	<u>68,980</u>
Airport	<u>68,200</u>	<u>68,200</u>	<u>14,218</u>	<u>53,982</u>
Capital outlay	<u>887,850</u>	<u>1,261,090</u>	<u>1,056,506</u>	<u>204,584</u>
Debt service	<u>-</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Total expenditures	<u>24,265,902</u>	<u>20,454,238</u>	<u>18,208,286</u>	<u>2,245,952</u>
Excess (deficiency) of revenues over expenditures	<u>62,660</u>	<u>3,541,653</u>	<u>6,323,042</u>	<u>2,781,389</u>
Other financing sources (uses)				
Sale of assets	8,000	8,000	34,993	26,993
Transfers to other funds	-	(3,430,000)	(3,429,515)	485
Total other financing sources (uses)	<u>8,000</u>	<u>(3,422,000)</u>	<u>(3,394,522)</u>	<u>27,478</u>
Net change in fund balances	70,660	119,653	2,928,520	2,808,867
FUND BALANCES, beginning of year	<u>15,091,876</u>	<u>15,091,876</u>	<u>15,091,876</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 15,162,536</u>	<u>\$ 15,211,529</u>	<u>\$ 18,020,396</u>	<u>\$ 2,808,867</u>

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,525,707	\$ 3,525,707	\$ 3,499,057	\$ (26,650)
Intergovernmental	41,000	41,000	96,234	55,234
Fees of office	940,000	940,000	672,881	(267,119)
Total revenues	4,506,707	4,506,707	4,268,172	(238,535)
EXPENDITURES				
Highways and streets				
Precinct #1				
Salaries and benefits	423,035	432,035	414,159	17,876
Supplies	9,000	9,938	9,071	867
Fuel	50,000	62,217	62,089	128
Uniforms	1,500	1,400	920	480
Communications	3,500	3,500	2,404	1,096
Travel	2,000	2,000	1,118	882
Registration fees	600	600	280	320
Repairs and maintenance	25,800	25,268	23,861	1,407
Lease expenditures	4,500	967	236	731
Dues and subscriptions	100	100	-	100
Contract services	300	100.00	-	100
Equipment	-	460	460	-
Road improvements	20,000	17,985	97	17,888
Total Precinct #1	540,335	556,570	514,695	41,875
Precinct #2				
Salaries and benefits	373,839	373,839	366,304	7,535
Supplies	14,500	12,600	10,147	2,453
Fuel	50,000	50,000	49,954	46
Uniforms	1,500	1,500	1,011	489
Communications	3,000	3,200	3,022	178
Travel	4,100	4,100	3,849	251
Registration fees	1,500	1,500	625	875
Repairs and maintenance	22,500	25,600	20,492	5,108
Lease expenditures	100	106	106	-
Contract services	1,500	2,500	814	1,686
Equipment	-	2,294	2,294	-
Road improvements	20,000	15,000	11,294	3,706
Total Precinct #2	492,539	492,239	469,912	22,327

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Precinct #3				
Salaries and benefits	\$ 415,092	\$ 405,070	\$ 397,139	\$ 7,931
Supplies	15,100	14,921	14,048	873
Fuel	60,000	76,500	76,329	171
Uniforms	1,000	627	627	-
Communications	6,000	7,002	7,002	-
Travel	2,000	2,000	1,688	312
Registration fees	400	400	335	65
Repairs and maintenance	49,000	69,991	68,400	1,591
Lease expenditures	1,000	1,000	839	161
Dues and subscriptions	200	439	239	200
Contract services	1,000	3,750	3,750	-
Equipment	-	6,861	6,525	336
Road improvements	20,000	8,495	8,495	-
Total Precinct #3	<u>570,792</u>	<u>597,056</u>	<u>585,416</u>	<u>11,640</u>
Precinct #4				
Salaries and benefits	490,352	446,121	425,290	20,831
Supplies	18,000	21,269	21,023	246
Fuel	65,000	91,643	91,643	-
Uniforms	1,500	1,100	1,100	-
Communications	5,000	4,000	2,894	1,106
Travel	2,000	2,250	2,250	-
Registration fees	1,000	531	510	21
Repairs and maintenance	47,200	51,597	51,153	444
Lease expenditures	3,000	2,027	1,792	235
Contract services	5,000	200	165	35
Equipment	-	5,079	5,079	-
Road improvements	20,000	20,084	11,994	8,090
Total Precinct #4	<u>658,052</u>	<u>645,901</u>	<u>614,893</u>	<u>31,008</u>
General				
Employee insurance	325,600	325,600	299,058	26,542
Professional services	2,500	2,500	100	2,400
City paving	100,000	107,289	107,944	(655)
Lateral roads #1	10,250	10,250	10,250	-
Lateral roads #2	10,250	10,250	7,686	2,564
Lateral roads #3	10,250	10,750	10,696	54
Lateral roads #4	10,250	8,850	6,879	1,971
Road improvements	965,000	817,807	694,556	123,251
Software maintenance	1,000	1,000	1,000	-
Contract services	100,000	113,000	102,572	10,428
Contingency	155,000	80,000	-	80,000
Total general	<u>1,690,100</u>	<u>1,487,296</u>	<u>1,240,741</u>	<u>246,555</u>
Total highways and streets	<u>3,951,818</u>	<u>3,779,062</u>	<u>3,425,657</u>	<u>353,405</u>

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital Outlay				
General	\$ 480,500	\$ 9,021	\$ 79,052	\$ (70,031)
Precinct #1	-	107,000	124,888	(17,888)
Precinct #2	-	186,779	186,683	96
Precinct #3	-	86,300	86,300	-
Precinct #4	-	313,154	313,154	-
	<u>480,500</u>	<u>702,254</u>	<u>790,077</u>	<u>(87,823)</u>
Total capital outlay				
	<u>4,432,318</u>	<u>4,481,316</u>	<u>4,215,734</u>	<u>265,582</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>74,389</u>	<u>25,391</u>	<u>52,438</u>	<u>27,047</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	74,389	25,391	52,438	27,047
FUND BALANCES, beginning of year	<u>913,851</u>	<u>913,851</u>	<u>913,851</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 988,240</u>	<u>\$ 939,242</u>	<u>\$ 966,289</u>	<u>\$ 27,047</u>

**PECOS COUNTY, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL**

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

- A. In the event the Commissioners' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- B. Public hearings are conducted at the Pecos County Courthouse to obtain taxpayer comments.
- C. Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- D. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- E. Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- F. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- G. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2013.
- H. The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund and Road and Bridge Fund present a comparison of budgetary data to actual results.

SUPPLEMENTARY INFORMATION

**PECOS COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 1,072,642	\$ 667,249	\$ 1,739,891
Receivables (net of allowances for uncollectibles)			
Other	82,205	-	82,205
Due from other funds	186	-	186
TOTAL ASSETS	\$ 1,155,033	\$ 667,249	\$ 1,822,282
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 20,415	\$ 269,195	\$ 289,610
Due to other funds	80,880	-	80,880
Total liabilities	101,295	269,195	370,490
Fund balances			
Restricted			
Federal and state grants	316,146	-	316,146
Legislation	737,592	-	737,592
Assigned			
Capital projects funds	-	398,054	398,054
Total fund balances	1,053,738	398,054	1,451,792
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,155,033	\$ 667,249	\$ 1,822,282

**PECOS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
REVENUES			
Intergovernmental	\$ 1,650,479	\$ -	\$ 1,650,479
Charges for services	697,281	-	697,281
Interest	4,419	-	4,419
Other	11,661	-	11,661
Total revenues	2,363,840	-	2,363,840
EXPENDITURES			
Judicial	129,677	-	129,677
Corrections	1,715,142	14,005	1,729,147
Health and welfare	106,588	-	106,588
Public service	297,812	-	297,812
Capital outlay	193,735	437,055	630,790
Total expenditures	2,442,954	451,060	2,894,014
DEFICIENCY OF REVENUE OVER EXPENDITURES	(79,114)	(451,060)	(530,174)
OTHER FINANCING SOURCES (USES)			
Transfers in	109,097	-	109,097
Transfers (out)	(109,097)	-	(109,097)
Total other financing sources (uses)	-	-	-
Net change in fund balances	(79,114)	(451,060)	(530,174)
FUND BALANCES, beginning of year	1,132,852	849,114	1,981,966
FUND BALANCES, end of year	\$ 1,053,738	\$ 398,054	\$ 1,451,792

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-X	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
ASSETS							
Cash	\$ 9,383	\$ 48,149	\$ 23,316	\$ 131,022	\$ 21,226	\$ 103,788	\$ -
Receivables, net of allowance							
Other	408	-	-	-	-	-	13,815
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 9,791</u>	<u>\$ 48,149</u>	<u>\$ 23,316</u>	<u>\$ 131,022</u>	<u>\$ 21,226</u>	<u>\$ 103,788</u>	<u>\$ 13,815</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 4,344	\$ 1,288	\$ 5,723	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	13,815
Total liabilities	<u>-</u>	<u>-</u>	<u>4,344</u>	<u>1,288</u>	<u>5,723</u>	<u>-</u>	<u>13,815</u>
Fund balances							
Restricted							
Federal and state grants	-	48,149	18,972	129,734	15,503	103,788	-
Legislation	9,791	-	-	-	-	-	-
Total fund balances	<u>9,791</u>	<u>48,149</u>	<u>18,972</u>	<u>129,734</u>	<u>15,503</u>	<u>103,788</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,791</u>	<u>\$ 48,149</u>	<u>\$ 23,316</u>	<u>\$ 131,022</u>	<u>\$ 21,226</u>	<u>\$ 103,788</u>	<u>\$ 13,815</u>

270	280	281	282	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ 5,518	\$ 54,039	\$ 57,224	\$ 3,364	\$ 8,270	\$ 4,890	\$ 20,263	\$ 26,875	\$ 4,335
-	171	-	-	137	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 5,518</u>	<u>\$ 54,210</u>	<u>\$ 57,224</u>	<u>\$ 3,364</u>	<u>\$ 8,407</u>	<u>\$ 4,890</u>	<u>\$ 20,263</u>	<u>\$ 26,875</u>	<u>\$ 4,335</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	289	-	-
-	-	-	-	-	-	-	-	-
5,518	54,210	57,224	3,364	8,407	4,890	19,974	26,875	4,335
5,518	54,210	57,224	3,364	8,407	4,890	19,974	26,875	4,335
<u>\$ 5,518</u>	<u>\$ 54,210</u>	<u>\$ 57,224</u>	<u>\$ 3,364</u>	<u>\$ 8,407</u>	<u>\$ 4,890</u>	<u>\$ 20,263</u>	<u>\$ 26,875</u>	<u>\$ 4,335</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013
(CONTINUED)**

	370	430 Texas J Regional Advisory Council Fund	431	432	433	434
	Courthouse Security Fund		Border Security III Fund	Operation Linebacker Fund	Border Prosecution Fund	CDBG Contract #712065 Fund
ASSETS						
Cash	\$ 183,806	\$ 648	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance						
Other	72	-	-	-	34,461	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 183,878	\$ 648	\$ -	\$ -	\$ 34,461	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 210	\$ -
Due to other funds	-	-	-	-	34,251	-
Total liabilities	-	-	-	-	34,461	-
Fund balances						
Restricted						
Federal and state grants	-	-	-	-	-	-
Legislation	183,878	648	-	-	-	-
Total fund balances	183,878	648	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 183,878	\$ 648	\$ -	\$ -	\$ 34,461	\$ -

442 Local Border Security LBSP - 13 Fund	443 High Intensity Drug Trafficking Area Fund	446 TDHCA Contract #1001407 Fund	447 CDBG Contract #711361 Fund	448 TDHCA Contract #1001407 Fund	449 Border Security II Grant #2534301	500 County Attorney Hot Check Fund	505 County Attorney Pre-Trial Intervention Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,921	\$ 165,969
19,662	13,479	-	-	-	-	-	-
-	-	-	-	-	-	186	-
<u>\$ 19,662</u>	<u>\$ 13,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,107</u>	<u>\$ 165,969</u>
\$ -	\$ 327	\$ -	\$ -	\$ -	\$ -	\$ 3,318	\$ 1,212
19,662	13,152	-	-	-	-	-	-
19,662	13,479	-	-	-	-	3,318	1,212
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,789	164,757
-	-	-	-	-	-	7,789	164,757
<u>\$ 19,662</u>	<u>\$ 13,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,107</u>	<u>\$ 165,969</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013
(CONTINUED)**

	510	511	540	560	
			83rd District		
	Sheriff	Forfeiture	Attorney	112th District	
	Discretionary	Shared	Drug	Attorney	
	Fund	Revenue	Forfeiture	Discretionary	Total
	Fund	Fund	Fund	Fund	Fund
ASSETS					
Cash	\$ 15,074	\$ 126,535	\$ 35,117	\$ 12,910	\$ 1,072,642
Receivables, net of allowance					
Other	-	-	-	-	82,205
Due from other funds	-	-	-	-	186
TOTAL ASSETS	\$ 15,074	\$ 126,535	\$ 35,117	\$ 12,910	\$ 1,155,033
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 3,704	\$ -	\$ 20,415
Due to other funds	-	-	-	-	80,880
Total liabilities	-	-	3,704	-	101,295
Fund balances					
Restricted					
Federal and state grants	-	-	-	-	316,146
Legislation	15,074	126,535	31,413	12,910	737,592
Total fund balances	15,074	126,535	31,413	12,910	1,053,738
TOTAL LIABILITIES AND FUND BALANCE	\$ 15,074	\$ 126,535	\$ 35,117	\$ 12,910	\$ 1,155,033

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2013**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-X	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 130,750	\$ 191,791	\$ 74,983	\$ 349,424	\$ 54,753
Charges for services	2,591	-	-	477,923	-	-	-
Interest	-	470	-	3,483	-	-	-
Other	-	-	-	11,596	-	-	-
Total revenues	<u>2,591</u>	<u>470</u>	<u>130,750</u>	<u>684,793</u>	<u>74,983</u>	<u>349,424</u>	<u>54,753</u>
EXPENDITURES							
Judicial	-	-	-	-	-	-	-
Corrections	-	1,534	141,785	838,414	60,337	433,891	-
Health and welfare	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	54,753
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,534</u>	<u>141,785</u>	<u>838,414</u>	<u>60,337</u>	<u>433,891</u>	<u>54,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,591</u>	<u>(1,064)</u>	<u>(11,035)</u>	<u>(153,621)</u>	<u>14,646</u>	<u>(84,467)</u>	<u>-</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	109,097	-
Transfers (out)	-	-	-	(76,483)	(32,614)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,483)</u>	<u>(32,614)</u>	<u>109,097</u>	<u>-</u>
Net change in fund balances	2,591	(1,064)	(11,035)	(230,104)	(17,968)	24,630	-
FUND BALANCES, beginning of year	<u>7,200</u>	<u>49,213</u>	<u>30,007</u>	<u>359,838</u>	<u>33,471</u>	<u>79,158</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 9,791</u>	<u>\$ 48,149</u>	<u>\$ 18,972</u>	<u>\$ 129,734</u>	<u>\$ 15,503</u>	<u>\$ 103,788</u>	<u>\$ -</u>

270	280	281	282	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,218	3,357	28,175	-	2,165	1,288	15,250	26,331	1,144
-	-	-	-	-	-	-	-	-
4,218	3,357	28,175	-	2,165	1,288	15,250	26,331	1,144
-	-	-	-	-	-	-	27,000	-
-	-	-	-	-	-	9,424	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	9,424	27,000	-
4,218	3,357	28,175	-	2,165	1,288	5,826	(669)	1,144
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,218	3,357	28,175	-	2,165	1,288	5,826	(669)	1,144
1,300	50,853	29,049	3,364	6,242	3,602	14,148	27,544	3,191
<u>\$ 5,518</u>	<u>\$ 54,210</u>	<u>\$ 57,224</u>	<u>\$ 3,364</u>	<u>\$ 8,407</u>	<u>\$ 4,890</u>	<u>\$ 19,974</u>	<u>\$ 26,875</u>	<u>\$ 4,335</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	370	430 Texas J Regional Advisory Council Grant	431	432	433	434
	Courthouse Security Fund		Border Security III Fund	Operation Linebacker Fund	Border Prosecution Fund	CDBG Contract #712065 Fund
REVENUES						
Intergovernmental	\$ -	\$ 36,588	\$ 171,424	\$ 71,600	\$ 104,946	\$ 31,975
Charges for services	21,447	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>21,447</u>	<u>36,588</u>	<u>171,424</u>	<u>71,600</u>	<u>104,946</u>	<u>31,975</u>
EXPENDITURES						
Judicial	-	-	-	-	-	-
Corrections	30,895	-	58,129	1,600	104,946	-
Health and welfare	-	47,309	-	-	-	31,975
Public service	-	-	-	-	-	-
Capital outlay	10,440	-	113,295	70,000	-	-
Total expenditures	<u>41,335</u>	<u>47,309</u>	<u>171,424</u>	<u>71,600</u>	<u>104,946</u>	<u>31,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,888)</u>	<u>(10,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(19,888)	(10,721)	-	-	-	-
FUND BALANCES, beginning of year	<u>203,766</u>	<u>11,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 183,878</u>	<u>\$ 648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

442 Local Border Security LBSP - 13 Fund	443 High Intensity Drug Trafficking Area Fund	446 TDHCA Contract #1001407 Fund	447 CDBG Contract #711361 Fund	448 TDHCA Contract #1001407 Fund	449 Border Security II Grant #2534301	500 County Attorney Hot Check Fund	505 County Attorney Pre-Trial Intervention Fund
\$ 57,045	\$ 80,490	\$ 104,560	\$ 27,304	\$ 34,187	\$ -	\$ -	\$ -
-	-	-	-	-	-	8,019	96,603
-	-	-	-	-	-	-	-
57,045	80,490	104,560	27,304	34,187	-	8,019	96,603
-	-	-	-	-	-	6,728	86,564
-	-	-	-	34,187	-	-	-
-	-	-	27,304	-	-	-	-
57,045	81,454	104,560	-	-	-	-	-
-	-	-	-	-	-	-	-
57,045	81,454	104,560	27,304	34,187	-	6,728	86,564
-	(964)	-	-	-	-	1,291	10,039
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(964)	-	-	-	-	1,291	10,039
-	964	-	-	-	-	6,498	154,718
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,789	\$ 164,757

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	510	511	540 83rd District	560 112th District	
	Sheriff's Discretionary Fund	Forfeiture Shared Revenue Fund	Attorney Drug Forfeiture Funds	Attorney Discretionary Fund	Total
REVENUES					
Intergovernmental	\$ 4,835	\$ 123,824	\$ -	\$ -	\$ 1,650,479
Charges for services	-	-	-	8,770	697,281
Interest	-	-	406	60	4,419
Other	-	-	-	65	11,661
Total revenues	<u>4,835</u>	<u>123,824</u>	<u>406</u>	<u>8,895</u>	<u>2,363,840</u>
EXPENDITURES					
Judicial	-	-	8,515	870	129,677
Corrections	-	-	-	-	1,715,142
Health and welfare	-	-	-	-	106,588
Public service	-	-	-	-	297,812
Capital outlay	-	-	-	-	193,735
Total expenditures	<u>-</u>	<u>-</u>	<u>8,515</u>	<u>870</u>	<u>2,442,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,835</u>	<u>123,824</u>	<u>(8,109)</u>	<u>8,025</u>	<u>(79,114)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	109,097
Transfers (out)	-	-	-	-	(109,097)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,835	123,824	(8,109)	8,025	(79,114)
FUND BALANCES, beginning of year	<u>10,239</u>	<u>2,711</u>	<u>39,522</u>	<u>4,885</u>	<u>1,132,852</u>
FUND BALANCES, end of year	<u>\$ 15,074</u>	<u>\$ 126,535</u>	<u>\$ 31,413</u>	<u>\$ 12,910</u>	<u>\$ 1,053,738</u>

**PECOS COUNTY, TEXAS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2013**

	<u>Pecos County Golf Course</u>	<u>Bond Fund</u>	<u>Permian Basin Adult Probation</u>	<u>Juvenile Probation</u>	<u>District Clerk Fee Account</u>	<u>District Clerk Trust Fund</u>
ASSETS						
Cash	\$ 8,233	\$ 66,983	\$ 3,403	\$ 1,133	\$ 9,268	\$ 267,046
TOTAL ASSETS	<u>\$ 8,233</u>	<u>\$ 66,983</u>	<u>\$ 3,403</u>	<u>\$ 1,133</u>	<u>\$ 9,268</u>	<u>\$ 267,046</u>
LIABILITIES						
Accounts payable	\$ 8,233	\$ -	\$ -	\$ -	\$ 9,268	\$ -
Due to other governments	-	-	-	-	-	-
Due to beneficiaries	-	66,983	3,403	1,133	-	267,046
TOTAL LIABILITIES	<u>\$ 8,233</u>	<u>\$ 66,983</u>	<u>\$ 3,403</u>	<u>\$ 1,133</u>	<u>\$ 9,268</u>	<u>\$ 267,046</u>

Tax Assessor Collector	Edward Petsch Arts Fund	Sheriff's Bond Account	Jail Commissary Account	Trish King Bond Account	Total
\$ 73,977	\$ 275,905	\$ 38,107	\$ 20,748	\$ 29,683	\$ 794,486
<u>\$ 73,977</u>	<u>\$ 275,905</u>	<u>\$ 38,107</u>	<u>\$ 20,748</u>	<u>\$ 29,683</u>	<u>\$ 794,486</u>
\$ -	\$ -	\$ -	\$ 20,748	\$ -	\$ 38,249
73,977	-	-	-	-	73,977
-	275,905	38,107	-	29,683	682,260
<u>\$ 73,977</u>	<u>\$ 275,905</u>	<u>\$ 38,107</u>	<u>\$ 20,748</u>	<u>\$ 29,683</u>	<u>\$ 794,486</u>

INTERNAL CONTROL AND COMPLIANCE REPORTS



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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 20, 2014. Our report includes reference to other auditors who audited the financial statements of Pecos County Memorial Hospital, an enterprise fund of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance. The financial statements of Pecos County Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-01 and 2013-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

County's Response to Findings

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
August 20, 2014

**PECOS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013**

I. FINANCIAL STATEMENT FINDINGS

A. Significant Deficiency in Internal Control over Financial Reporting

Governmental Funds

2013-01

Criteria:

Beginning fund balances should agree to prior years' ending audited fund balances.

Condition:

The general fund and debt service fund balances did not agree to the prior year ending audited balances.

Cause:

The County did not post a prior year audit adjusting entry.

Effect:

Adjusting journal entries were proposed to adjust taxes receivable, allowance, unearned tax revenue and fund balance to properly state the financial statements in the current year.

Recommendation:

We recommend the County post all audit adjusting entries to ensure all beginning fund balances agree to the prior year ending audited balances.

Views of Responsible Officials and Planned Corrective Actions:

The County Auditor will post all audit adjusting entries each year to ensure that beginning fund balances agree to prior year ending audited balances.

**PECOS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013**

Significant Deficiency in Internal Control over Financial Reporting – Continued

Governmental Funds – Continued

2013-02

Criteria:

Capital contributions and expenditures should be recorded as revenue and expenditures.

Condition:

Revenue, expenditures and liabilities were misstated and were corrected through audit adjustments.

Cause:

Project funds received from another governmental entity were recorded in a liability account. The project expenditures were posted to the liability account as a reduction.

Effect:

Adjusting journal entries were proposed to adjust revenue, expenditures and liability accounts to properly state the financial statements in the current year.

Recommendation:

We recommend the County seek guidance for transactions that are different or unusual in nature from the day-to-day transactions in order to ensure proper recording of those transactions.

Views of Responsible Officials and Planned Corrective Actions:

The County Auditor will seek guidance for proper treatment of unfamiliar transactions.