

TITUS COUNTY, TEXAS
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2014

Titus County, Texas
 TABLE OF CONTENTS
 Year ended September 30, 2014

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-11
	<u>BASIC FINANCIAL STATEMENTS</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13-14
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	15-16
C-2	Reconciliation for C-1	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	18-19
C-4	Reconciliation for C-3	20
C-5	Budgetary Comparison Schedule - General Fund	21
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	22
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	23
D-3	Statement of Cash Flows	24
	Fiduciary Fund Financial Statement:	
E-1	Statement of Net Position	25
	Notes to the Financial Statements	26-41
	<u>COMBINING SCHEDULES</u>	
	Nonmajor Governmental Fund:	
F-1	Combining Balance Sheet	42-49
F-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	50-57
	Internal Service Funds:	
G-1	Combining Statement of Net Position	58
G-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	59
G-3	Combining Statement of Cash Flows	60
	Enterprise Funds:	
H-1	Combining Statement of Net Position	61
H-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	62
H-3	Combining Statement of Cash Flows	63
	<u>SUPPLEMENTAL INFORMATION</u>	
I-1	Budgetary Comparison Schedule - Debt Service Funds	64-68
	<u>INTERNAL CONTROL SECTION</u>	
	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	69-70
	Schedule of Findings and Questioned Costs	71-72
	Schedule of Status of Prior Findings	73
	Corrective Action Plan	74



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants
Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Titus County, Texas
Mount Pleasant, Texas

Report on the Financial Statements

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 Titus County, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and pages 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Titus, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2014. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net position was \$41.9 million at September 30, 2014. This is an increase of \$2.2 million. The total of property tax and sales tax revenue was down \$306 thousand. The County received contributions from the City of Mount Pleasant, Titus County Fresh Water Supply District, and the Texas Department of Transportation of \$6.3 million toward the Loop Construction project.

The total cost of all the County's activities was up by 4% or \$757 thousand, compared to the prior year. Most of the increase is in public safety costs and road and bridge cost increases. \$190 thousand of the increased costs in road and bridges were covered by a grant.

The general fund balance is \$6.16 million at September 30, 2014 which is a decrease of \$220 thousand. Tax revenue decreased \$342 thousand. Tax values decreased compared to the prior year. Expenditures increased \$258 thousand or 3%. Most of this increase was related to building renovation projects.

During the year, \$26.9 million of fixed assets were added. Most of the increase was related to the Loop construction project that is ongoing.

Approximately \$152 million has been spent to date on the loop construction project and is reflected as construction in progress. There is \$13.6 million in fund balance restricted for construction at September 30, 2014.

There is \$3.34 million in debt service fund balances. Special revenue funds reflect fund balances of \$1.32 million.

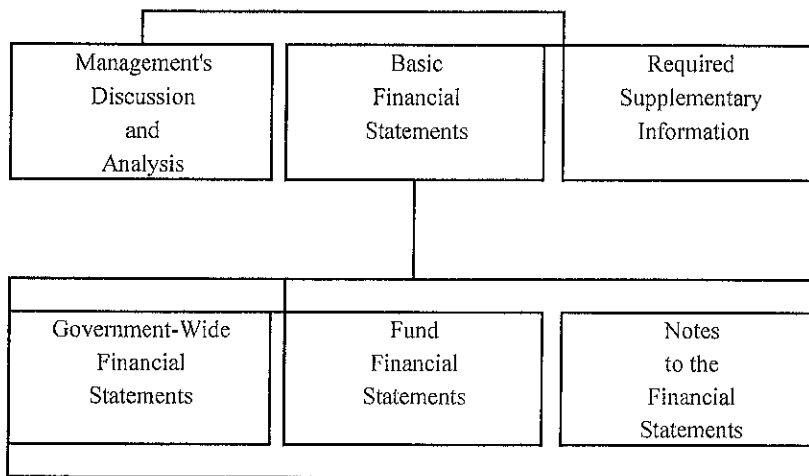
Approximately 97% of the taxes levied for 2013-14 were collected by September 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as a commissary operation.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. This fund contains District Court Clerk funds for pending cases.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ↔ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	*Statement of changes in fiduciary net position
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how they have changed. Net position-the difference between the County's assets and liabilities-is one way to measure the County's financial health or *position*.

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

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioner's Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds*-Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities-such as the County's Self Insurance Fund.
- *Fiduciary funds*-The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was approximately \$42 million at September 30, 2014.

Table A-1
The County's Net Position
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	33,145	61,446	143	106	33,288	61,552
Capital and non-current assets	164,958	139,121	3	10	164,961	139,131
TOTAL ASSETS	198,103	200,567	146	116	198,249	200,683
Long-term liabilities	148,390	150,904	-	-	148,390	150,904
Other liabilities	3,510	5,898	-	14	3,510	5,912
TOTAL LIABILITIES	151,900	156,802	-	14	151,900	156,816
Unavailable revenue-taxes, fines, & fees	4,420	4,158	-	-	4,420	4,158
TOTAL DEFERRED INFLOWS OF RESOURCES	4,420	4,158	-	-	4,420	4,158
Net position						
Invested in capital assets						
net of related debt	16,567	24,442	3	10	16,570	24,452
Restricted	18,230	7,890	-	-	18,230	7,890
Unrestricted	6,986	7,275	143	92	7,129	7,367
TOTAL NET POSITION	41,783	39,607	146	102	41,929	39,709

Net position invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$7.1 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$18.2 million is restricted as follows:

Restricted for debt service	3,339
Restricted for capital projects	13,568
Restricted for special revenue funds	1,323
	<u>18,230</u>

Net position of the County increased from \$39.7 million to \$42 million, or \$2.3 million. The County's expenditures exceeded revenues by \$26 million. The loop construction fund reflected a \$26 million decrease to fund balance. Bond proceeds were received in prior years and the Loop construction is ongoing. Not all of these funds have been expended. \$27 million was expended on capital outlay this year. \$2.5 million was expended on debt principal. Depreciation expense of \$1.08 million was recorded.

Changes in net position.

The County's total revenues were \$21.5 million. 44% of this came from property taxes, 11% came from sales taxes and other taxes, and 12% came from charges for services. 29% or \$6.3 million was contributed by the City of Mount Pleasant, Titus County Fresh Water District, and TxDot for Loop Construction. Total revenues were \$5.8 million more than the prior year because there was no contribution toward the Loop Construction in the prior year.

The total cost of all programs was \$19.3 million. Approximately 26% of this was for public safety, 18% was for highways, streets and bridges, and 33% was for debt service costs.

Net position increased by \$2.2 million from the excess of revenues over expenses.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<u>Program Revenues</u>						
Charges for service	2,271	2,617	210	150	2,481	2,767
Operating Grants and Contributions	480	220	-	-	480	220
<u>General Revenues</u>						
Property taxes	9,430	9,667	-	-	9,430	9,667
Other taxes	2,318	2,387	-	-	2,318	2,387
Investment earnings	109	485	-	-	109	485
Contribution- Intergovernmental	6,320	-	-	-	6,320	-
Other	384	213	-	-	384	213
Total Revenues	<u>21,312</u>	<u>15,589</u>	<u>210</u>	<u>150</u>	<u>21,522</u>	<u>15,739</u>
Expenses						
General government	1,178	1,082	-	-	1,178	1,082
Judicial	972	1,008	-	-	972	1,008
Legal	430	512	-	-	430	512
Financial	967	895	-	-	967	895
Public facility	209	203	-	-	209	203
Public safety	4,976	4,616	69	84	5,045	4,700
Health and welfare	177	151	-	-	177	151
Highways, streets, and bridges	3,513	3,112	-	-	3,513	3,112
Cultural and recreational	24	22	-	-	24	22
County extension	87	79	-	-	87	79
Miscellaneous	105	105	-	-	105	105
Elections	-	-	237	231	237	231
Debt service	6,358	6,446	-	-	6,358	6,446
Total Expenses	<u>18,996</u>	<u>18,231</u>	<u>306</u>	<u>315</u>	<u>19,302</u>	<u>18,546</u>
Transfers in (out)	(140)	(147)	140	147	-	-
Increase (Decrease) in Net Position	2,176	(2,789)	44	(18)	2,220	(2,807)
Beginning Net Position	39,607	43,134	102	120	39,709	43,254
Prior Period Adjustment	-	(738)	-	-	-	(738)
Ending Net Position	<u>41,783</u>	<u>39,607</u>	<u>146</u>	<u>102</u>	<u>41,929</u>	<u>39,709</u>

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$19 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$9.4 million.
- Some of the cost was paid by those who directly benefited from the programs (\$2.27 million), or by grants and contributions (\$480 thousand).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Costs of Services	
	2014	2013	2014	2013
General Government	1,178	1,082	705	704
Public Safety	4,976	4,616	4,672	4,247
Judicial	972	1,008	334	125
Highways, Streets, and Bridges	3,513	3,112	2,625	2,396

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$24.4 million at September 30, 2014. This balance is composed of the following in thousands

General	6,161
Special revenue	1,323
Debt service	3,339
Capital projects	13,568
	<u>24,391</u>

The general fund decreased \$220 thousand as compared to an increase of \$559 thousand the prior year. Tax revenue was down \$342 thousand mainly because of losses in taxable values. Expenditures increased \$258 thousand or 3%. The capital project fund balance decrease of \$26.5 million is because all debt proceeds to fund the Loop Construction had been received in previous years. The funds are being spent on the construction. The debt service fund balances increased because of transfers in from the major capital project fund to assist in paying interest.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$601 thousand, or 6.5%. Actual revenues were \$241 thousand more than budgeted. \$1 million was budgeted as a decrease to fund balance. Actually, the fund balance decreased \$220 thousand from the excess of expenditures over revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Land	342	342	-	-
Loop construction in progress	151,921	125,729	-	-
Buildings and improvements	11,672	11,269	-	-
Machinery and equipment	5,830	5,504	331	331
Roads and bridges	14,945	14,945	-	-
Totals at historical cost	<u>184,710</u>	<u>157,789</u>	<u>331</u>	<u>331</u>
Total accumulated depreciation	<u>19,752</u>	<u>18,668</u>	<u>328</u>	<u>321</u>
Net capital assets	<u><u>164,958</u></u>	<u><u>139,121</u></u>	<u><u>3</u></u>	<u><u>10</u></u>

The Loop construction project is in progress. Approximately \$152 million has been expended to date on construction. The project is estimated to cost approximately \$168 million.

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	Governmental Activities	
	2014	2013
Bonds payable	<u>148,391</u>	<u>150,903</u>
Notes payable	<u>-</u>	<u>-</u>
	<u><u>148,391</u></u>	<u><u>150,903</u></u>

The County will begin receiving approximately \$8 million each year for a period of twenty years beginning in fiscal year 2015 from the State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Valuation of the two local power plants, one owned by Luminant Generation LLC and the other by AEP Southwestern Electric, will continue to be an area of uncertainty over the next few years. Both companies have coal fired generation units which have been under close scrutiny by the Environmental Protection Agency. Proposed regulations, if unchanged, pose serious consequences to both plants and could even result in plant closures. The County will likely face further devaluation of one or both plants that could result in significant budget challenges requiring budget cuts and tax rate increases.

The General Fund fund balance at September 30, 2014 is expected to be \$6,161,000. The 2015 Budget has been adopted with a small tax increase in I&S and no increase in M&O. The County expects to finish 2015 with expenditures and revenues balancing out. If there is a deficit it should be easily covered by the General Fund fund balance.

The M&O tax rate for 2015 is .2744; in 2014 the rate was .2744.

The I & S tax rate for 2015 is .1438; in 2014 the rate was .1408

The overall tax rate for 2015 is .4182. In 2014 the overall rate was .4152. The rollback rate for 2015 is .4577.

In May of 2006, the citizens of Titus County passed an election to construct a loop around the southern end of Mt. Pleasant and Titus County. The total loop project is estimated to cost \$168 million. This Loop is a State of Texas TxDot Pass-Through Toll Project whereby the local taxing authorities provide the initial monies and the state reimburses at a pre-arranged percentage. The reimbursement occurs over twenty years once the project is completed. In Titus County's case, the state has agreed to pay back about 80% of the total cost of the project which includes administration, purchase of right of way, construction plus interest costs incurred during the construction and payback period. In September 2006, the County issued the first bonds for this project. At that time \$1.8 million was issued. These bonds were paid back in one year with the tax revenues received through the I&S rate. In September 2007 the County issued a second series of bonds for \$29,665,000. These funds were received in October 2007. In September of 2009 a third series of bonds for \$39,000,000 was issued. These funds were received in September 2009. In June 2012 the last of these bonds were issued. The Series 2012-A Pass thru Toll Revenue Bond was issued for \$36,680,000 and the Series 2012-B Pass thru Toll Revenue Bond was issued for \$44,345,000. These bonds will be paid back over a 20-25 year period. The project is estimated to be completed in 2015 at which time State reimbursement will begin.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Titus County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the County's Auditor's Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

TITUS COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,148,861	\$ 122,589	\$ 8,271,450
Receivables (net of allowance for uncollectibles)	5,456,384	17,389	5,473,773
Inventories	-	3,618	3,618
Prepaid Items	26,698	269	26,967
Restricted Assets:			
Restricted Cash	19,513,404	-	19,513,404
Capital Assets:			
Land	341,512	-	341,512
Infrastructure, net	5,089,142	-	5,089,142
Buildings, net	6,617,653	-	6,617,653
Machinery and Equipment, net	987,768	2,891	990,659
Construction in Progress	151,921,852	-	151,921,852
Total Assets	<u>198,103,274</u>	<u>146,756</u>	<u>198,250,030</u>
LIABILITIES			
Accounts Payable	3,450,950	260	3,451,210
Unearned Revenues	59,039	-	59,039
Noncurrent Liabilities			
Due Within One Year	4,937,514	-	4,937,514
Due in More Than One Year	143,453,089	-	143,453,089
Total Liabilities	<u>151,900,592</u>	<u>260</u>	<u>151,900,852</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue -Taxes, Fines, & Fees	4,419,782	-	4,419,782
Total Deferred Inflows of Resources	<u>4,419,782</u>	<u>-</u>	<u>4,419,782</u>
NET POSITION			
Net Investment in Capital Assets	16,567,324	-	16,567,324
Restricted for:			
Restricted for Debt Service	3,339,341	-	3,339,341
Restricted for Capital Projects	13,568,196	-	13,568,196
Restricted for Special Revenue Funds	1,322,837	-	1,322,837
Unrestricted Net Position	6,985,202	146,496	7,131,698
Total Net Position	<u>\$ 41,782,900</u>	<u>\$ 146,496</u>	<u>\$ 41,929,396</u>

The notes to the financial statements are an integral part of this statement.

TITUS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,177,712	\$ 472,450	\$ -
Judicial	972,216	638,442	-
Legal	430,391	99,052	-
Financial	966,495	266,394	-
Public Facility	208,903	30,250	-
Public Safety	4,976,121	36,576	267,637
Health & Welfare	177,231	13,800	23,051
Highways, Streets, & Bridges	3,512,704	698,388	189,672
Cultural and Recreational	24,112	15,639	-
County Extension	86,636	-	-
Miscellaneous	105,155	-	-
Interest Expense	6,356,695	-	-
Bond Fees	2,152	-	-
Total Governmental Activities:	18,996,523	2,270,991	480,360
BUSINESS-TYPE ACTIVITIES:			
Commissary Store	68,690	140,574	-
Election Fund	237,353	69,480	-
Total Business-Type Activities:	306,043	210,054	-
TOTAL PRIMARY GOVERNMENT:	\$ 19,302,566	\$ 2,481,045	\$ 480,360

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Other Taxes

Intergovernment Contribution-Loop Construction

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (705,262)	\$ -	\$ (705,262)
(333,774)	-	(333,774)
(331,339)	-	(331,339)
(700,101)	-	(700,101)
(178,653)	-	(178,653)
(4,671,908)	-	(4,671,908)
(140,380)	-	(140,380)
(2,624,644)	-	(2,624,644)
(8,473)	-	(8,473)
(86,636)	-	(86,636)
(105,155)	-	(105,155)
(6,356,695)	-	(6,356,695)
(2,152)	-	(2,152)
(16,245,172)	-	(16,245,172)
-	71,884	71,884
-	(167,873)	(167,873)
-	(95,989)	(95,989)
(16,245,172)	(95,989)	(16,341,161)
6,149,984	-	6,149,984
3,279,534	-	3,279,534
2,318,311	-	2,318,311
6,320,394	-	6,320,394
383,832	65	383,897
109,174	-	109,174
(140,000)	140,000	-
18,421,229	140,065	18,561,294
2,176,057	44,076	2,220,133
39,606,843	102,420	39,709,263
\$ 41,782,900	\$ 146,496	\$ 41,929,396

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TITUS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Major Debt Service Fund	Major Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 6,326,095	\$ 1,360,112	\$ 11,517,244
Receivables (Net)	4,440,533	158,231	339,489
Due from Other Funds	-	-	-
Prepaid Items	23,098	-	-
Total Assets	<u>\$ 10,789,726</u>	<u>\$ 1,518,343</u>	<u>\$ 11,856,733</u>
LIABILITIES			
Accounts Payable	\$ 182,828	\$ -	\$ 1,743,700
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>182,828</u>	<u>-</u>	<u>1,743,700</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes, Fines, & Fees	4,445,891	158,231	-
Total Deferred Inflows of Resources	<u>4,445,891</u>	<u>158,231</u>	<u>-</u>
FUND BALANCES			
Capital Projects	-	-	10,113,033
Retirement of Long-Term Debt	-	1,360,112	-
Reported in Special Revenue Funds	-	-	-
Unassigned Fund Balance	6,161,007	-	-
Total Fund Balances	<u>6,161,007</u>	<u>1,360,112</u>	<u>10,113,033</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,789,726</u>	<u>\$ 1,518,343</u>	<u>\$ 11,856,733</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 7,877,468	\$ 27,080,919
262,928	5,201,181
125,000	125,000
3,600	26,698
<u>\$ 8,268,996</u>	<u>\$ 32,433,798</u>
\$ 502,321	\$ 2,428,849
125,000	125,000
729,187	729,187
59,039	59,039
<u>1,415,547</u>	<u>3,342,075</u>
96,220	4,700,342
<u>96,220</u>	<u>4,700,342</u>
3,455,163	13,568,196
1,979,229	3,339,341
1,322,837	1,322,837
-	6,161,007
<u>6,757,229</u>	<u>24,391,381</u>
<u>\$ 8,268,996</u>	<u>\$ 32,433,798</u>

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

Total Fund Balances - Governmental Funds	\$	24,391,381
 The County uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net position.		704,800
 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$157,789,259 and the accumulated depreciation was \$18,668,498. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(11,946,978)
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		29,423,827
 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,080,626)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		290,496
 Net Position of Governmental Activities	\$	41,782,900

The notes to the financial statements are an integral part of this statement.

TITUS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Major Debt Service Fund	Major Capital Projects
REVENUES:			
Taxes	\$ 6,927,020	\$ 2,967,706	\$ -
Licenses and Permits	19,159	-	-
Intergovernmental Revenue and Grants	174,152	-	6,000,000
Charges for Services	1,448,299	-	-
Fines	-	-	-
Other Revenue	105,049	7,333	40,337
Total Revenues	8,673,679	2,975,039	6,040,337
EXPENDITURES:			
Current:			
General Government	1,013,844	-	-
Judicial	780,321	-	-
Legal	225,699	-	-
Financial	954,605	-	-
Public Facility	206,525	-	-
Public Safety	4,577,729	-	-
Health & Welfare	177,231	-	-
Highways, Streets, & Bridges	-	-	24,078
Cultural and Recreational	-	-	-
County Extension	84,258	-	-
Miscellaneous	-	-	-
Debt Service:			
Bond Principal	-	1,295,000	-
Bond Interest	-	1,694,012	-
Bond Fees	-	538	-
Capital Outlay:			
Capital Outlay	558,271	-	26,358,185
Total Expenditures	8,578,483	2,989,550	26,382,263
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,196	(14,511)	(20,341,926)
OTHER FINANCING SOURCES (USES):			
Transfers In	36,000	155,381	-
Other Resources	9,121	-	-
Transfers Out (Use)	(360,000)	-	(5,770,126)
Total Other Financing Sources (Uses)	(314,879)	155,381	(5,770,126)
Net Change in Fund Balances	(219,683)	140,870	(26,112,052)
Fund Balance - October 1 (Beginning)	6,380,690	1,219,242	36,225,085
Fund Balance - September 30 (Ending)	\$ 6,161,007	\$ 1,360,112	\$ 10,113,033

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 1,804,790	\$ 11,699,516
689,388	708,547
695,863	6,870,015
214,443	1,662,742
103,800	103,800
40,833	193,552
<u>3,549,117</u>	<u>21,238,172</u>
-	1,013,844
182,383	962,704
199,936	425,635
-	954,605
-	206,525
27,628	4,605,357
-	177,231
2,712,233	2,736,311
24,112	24,112
-	84,258
105,155	105,155
1,208,000	2,503,000
4,672,619	6,366,631
1,614	2,152
<u>4,371</u>	<u>26,920,827</u>
<u>9,138,051</u>	<u>47,088,347</u>
<u>(5,588,934)</u>	<u>(25,850,175)</u>
5,840,819	6,032,200
16,974	26,095
<u>(182,074)</u>	<u>(6,312,200)</u>
<u>5,675,719</u>	<u>(253,905)</u>
86,785	(26,104,080)
<u>6,670,444</u>	<u>50,495,461</u>
<u>\$ 6,757,229</u>	<u>\$ 24,391,381</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$ (26,104,080)
 The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.	 (121,313)
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.	 29,423,827
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	 (1,080,626)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.	 58,249
 Change in Net Position of Governmental Activities	 <u>\$ 2,176,057</u>

The notes to the financial statements are an integral part of this statement.

TITUS COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,707,000	\$ 6,707,000	\$ 6,927,020	\$ 220,020
Licenses and Permits	10,000	15,000	19,159	4,159
Intergovernmental Revenue and Grants	296,000	176,000	174,152	(1,848)
Charges for Services	1,404,100	1,404,100	1,448,299	44,199
Other Revenue	100,000	130,600	105,049	(25,551)
Total Revenues	8,517,100	8,432,700	8,673,679	240,979
EXPENDITURES:				
Current:				
General Government	1,113,736	1,070,563	1,013,844	56,719
Judicial	950,271	940,034	780,321	159,713
Legal	195,970	230,970	225,699	5,271
Financial	965,554	1,007,431	954,605	52,826
Public Facility	209,228	221,221	206,525	14,696
Public Safety	4,700,859	4,712,491	4,577,729	134,762
Health & Welfare	161,648	178,729	177,231	1,498
County Extension	85,186	85,186	84,258	928
Capital Outlay:				
Capital Outlay	137,000	732,959	558,271	174,688
Total Expenditures	8,519,452	9,179,584	8,578,483	601,101
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,352)	(746,884)	95,196	842,080
OTHER FINANCING SOURCES (USES):				
Transfers In	-	40,000	36,000	(4,000)
Other Resources	-	-	9,121	9,121
Transfers Out (Use)	(360,000)	(360,000)	(360,000)	-
Total Other Financing Sources (Uses)	(360,000)	(320,000)	(314,879)	5,121
Net Change	(362,352)	(1,066,884)	(219,683)	847,201
Fund Balance - October 1 (Beginning)	6,380,690	6,380,690	6,380,690	-
Fund Balance - September 30 (Ending)	\$ 6,018,338	\$ 5,313,806	\$ 6,161,007	\$ 847,201

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

TITUS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total	Total
	Enterprise	Internal
	Funds	Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 122,589	\$ 581,346
Accounts Receivable-Net of Uncollectible Allowance	17,389	255,203
Inventories	3,618	-
Prepaid Items	269	-
Total Current Assets	143,865	836,549
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	-	79,790
Buildings	-	151,858
Accumulated Depreciation - Buildings	-	(70,483)
Improvements other than Buildings	-	4,994
Accumulated Depreciation - Other Improvements	-	(4,994)
Machinery and Equipment	332,654	118,603
Accumulated Depreciation - Machinery & Equipment	(329,763)	(118,603)
Total Noncurrent Assets	2,891	161,165
Total Assets	146,756	997,714
LIABILITIES		
Current Liabilities:		
Accounts Payable	260	292,914
Total Liabilities	260	292,914
NET POSITION		
Unrestricted Net Position	146,496	704,800
Total Net Position	\$ 146,496	\$ 704,800

The notes to the financial statements are an integral part of this statement.

TITUS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-2

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:		
Charges for Services	\$ 210,054	\$ 1,529,313
Other Revenue	65	-
Total Operating Revenues	210,119	1,529,313
OPERATING EXPENSES:		
Highways, streets, and bridges	-	165,770
Insurance coverage and medical claims	-	1,621,821
Public Safety	68,690	-
Elections	230,164	-
Depreciation	7,189	3,035
Total Operating Expenses	306,043	1,790,626
Income (Loss) Before Transfers	(95,924)	(261,313)
Transfer In	200,000	140,000
Transfers Out	(60,000)	-
Change in Net Position	44,076	(121,313)
Total Net Position -October 1 (Beginning)	102,420	826,113
 Total Net Position September 30 (Ending)	 \$ 146,496	 \$ 704,800

The notes to the financial statements are an integral part of this statement.

TITUS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 192,730	\$ 292,407
Cash Received from Assessments - Other Funds	-	981,703
Cash Payments for Payroll and Benefits	(164,465)	(122,990)
Cash Payments for Insurance Claims	-	(1,332,449)
Cash Payments for Suppliers	(148,337)	(35,498)
Cash Payments for Other Operating Expenses	-	(7,501)
Net Cash Provided by (Used for) Operating Activities	<u>(120,072)</u>	<u>(224,328)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfer In	200,000	140,000
Transfer Out	(60,000)	-
Net Cash Provided by Non-Capital Financing Activities	<u>140,000</u>	<u>140,000</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	-	-
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investment Securities	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	19,928	(84,328)
Cash and Cash Equivalents at Beginning of the Year:	102,661	665,674
Cash and Cash Equivalents at the End of the Year:	<u>\$ 122,589</u>	<u>\$ 581,346</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ (95,924)	\$ (261,313)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	7,189	3,035
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	(17,389)	(255,203)
Decrease (increase) in Inventories	(335)	-
Decrease (increase) in Prepaid Expenses	-	-
Increase (decrease) in Accounts Payable	(13,613)	289,152
Net Cash Provided by (Used for) Operating Activities	<u>\$ (120,072)</u>	<u>\$ (224,329)</u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

TITUS COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,114,920
Total Assets	<u>\$ 1,114,920</u>
LIABILITIES	
District Court cases payable/pending	\$ 599,861
County Clerk cash bonds	153,439
Bail Bond Board deposits	361,620
Total Liabilities	<u>\$ 1,114,920</u>

The notes to the financial statements are an integral part of this statement.

Titus County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Titus County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include fees of offices. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

1. **The General Fund** -- The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** -- One debt service fund is a major fund. See the definition of these funds below.
3. **Capital Projects Fund** -- One capital project fund is a major fund. See the definition of these funds below.

Additionally, the County reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** -- The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.
2. **Debt Service Funds** -- The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Project Funds** -- The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Funds and commissary store at the County Jail and on Election Funds.
2. **Internal Service Funds** -- Revenues and expenses related to services provided to organizations inside the County on a cost reimbursement basis are accounted for in an internal service fund. The County's Internal Service Fund are a maintenance facility and a health insurance fund.

Fiduciary Funds:

1. **Agency Funds** -- The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains the District Court Clerk funds for pending cases, the County Clerk cash bond accounts and the Bail Bond Board fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	15-50
Vehicles	4-7
Office Equipment	5-7
Computer Equipment	5-7
Machinery	7
Roads and Bridges	50

4. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.
5. Some cash and investments are restricted for future debt payments and for purchase of right of way.
6. The County has a self-insurance fund for health insurance.
7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
8. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
9. Investments are recorded at fair market value.
10. Deferred Outflows/Inflows of Resources—The County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no type of item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 one type of item that qualifies for reporting in this category, property taxes and fines. This amount will be recognized as an inflow of resources in the subsequent years as collected.

11. Fund balance measures the net financial resources available to finance expenditures of future periods. The County's Unassigned General Fund Balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the County Commissioner's Court.

Fund balance of the County may be committed for a specific source by formal action of the County Commissioner's Court. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commissioner's Court.

When it is appropriate for fund balance to be assigned, the Commissioner's Court delegates authority to the County Judge and Auditor. 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

II. 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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	261,722	-	261,722	
Loop Construction in Progress	125,729,119	-	125,729,119	
Buildings and Improvements	11,112,896	4,718,353	6,394,543	
Machinery and Equipment	5,385,277	4,201,929	1,183,348	
County Roads & Bridges	<u>14,945,000</u>	<u>9,557,171</u>	<u>5,387,829</u>	
Change in Net Position	<u>157,434,014</u>	<u>18,477,453</u>	<u>138,956,561</u>	<u>138,956,561</u>

This does not include fixed assets of the internal service funds.

<u>Long-term liabilities at the Beginning of the year</u>	<u>Payable at the Beginning of the Year</u>	
Bonds Payable	150,903,539	
Notes Payable	<u>-</u>	
Change in Net Position		<u>150,903,539</u>
Net Adjustment to Net Position		<u>(11,946,978)</u>

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

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Loop construction in progress	26,192,733	26,192,733	26,192,733
Building and improvement	401,796	401,796	401,796
Machinery and equipment	326,298	326,298	326,298
Total Capital Outlay	<u>26,920,827</u>	<u>26,920,827</u>	<u>26,920,827</u>
 <u>Debt Principal Payments</u>			
Certificate of obligation	<u>2,503,000</u>	<u>2,503,000</u>	<u>2,503,000</u>
Total Principal Payments	<u>2,503,000</u>	<u>2,503,000</u>	<u>2,503,000</u>
Total Adjustments to Net Position		<u><u>29,423,827</u></u>	<u><u>29,423,827</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	35,070	(35,070)	-
Uncollected taxes (assumed collectible) from Current Year Levy	134,200	134,200	134,200
Uncollected Taxes (assumed collectible) from Prior Year Levy	146,360	-	146,360
Effect of prior year tax entry	50,817	(50,817)	-
<u>Reclassify Proceeds of Bonds, Loans, and Capital Leases</u>			
Amortization of Bond Premium	<u>9,936</u>	<u>9,936</u>	<u>9,936</u>
Total		<u><u>58,249</u></u>	<u><u>290,496</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioner's court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioner's court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Additional contractual provisions governing deposits and investments for the County are as follows:

Policies Governing Deposits and Investments

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

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's 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.

Deposits of the County are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the County.

At September 30, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$31,288,507 and the bank balance was \$30,795,730. The County's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances as of September 30, 2014:

- a. Depository: Guaranty Bond Bank
 - b. The market value of securities pledged as of September 30, 2014 was \$31,153,263.
 - c. The combined balances of cash, savings, and time deposits amounted to \$30,795,730 at September 30, 2014.
 - d. Total amount of FDIC coverage at September 30, 2014 was \$500,000.
2. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
 3. Interest- rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
 4. Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.
 5. Other Credit Risk Exposure – The County has no investments in external investment pools.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS & BALANCES

Transfers between funds were as follows:

Transfers to Non-major Governmental Funds from:

General Fund	20,000
Major Capital Projects Fund	5,614,745
Enterprise Funds	60,000
Nonmajor Governmental Funds	146,075
Total	<u>5,840,820</u>

Transfers to Internal Service Funds from:

General Fund	140,000
Total	<u>140,000</u>

Transfers to Enterprise Funds from:

General Fund	200,000
Total	<u>200,000</u>

Transfers to General Fund from:

Non-major Governmental Funds	36,000
Total	<u>36,000</u>

Transfers to Major Debt Service Fund from:

Major Capital Projects Fund	155,381
Total	<u>155,381</u>

There was \$125,000 due to a non-major capital project fund from a non-major special revenue fund. This will be paid in the next fiscal year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

	Property Taxes	Fees of Office	Intergover- nmental	Other	Total Receivables
Governmental Activities:					
General Fund	272,943	8,285,999	-	-	8,558,942
Major Debt Service Fund	175,813	-	-	-	175,813
Major Capital Project Fund	-	-	339,489	-	339,489
Non-major Governmental Funds	106,909	-	166,710	-	273,619
Internal Service Funds	-	-	-	255,203	255,203
Total-Governmental Activities	<u>555,665</u>	<u>8,285,999</u>	<u>506,199</u>	<u>255,203</u>	<u>9,603,066</u>
Amount not scheduled for collection during the subsequent year	<u>55,568</u>	<u>4,091,114</u>	-	-	<u>4,146,682</u>
Proprietary Activities:					
Non-major Proprietary Funds	-	17,389	-	-	17,389
Amount not scheduled for collection during the subsequent year	-	17,389	-	-	17,389

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES (cont'd)

Payables at September 30, 2014, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	86,129	-	-	96,699	182,828
Major Capital Project Fund	1,743,700	-	-	-	1,743,700
Non-major Governmental Funds	152,669	-	729,187	349,652	1,231,508
Internal Service Funds	3,542	289,372	-	-	292,914
Total-Governmental Activities	<u>1,986,040</u>	<u>289,372</u>	<u>729,187</u>	<u>446,351</u>	<u>3,450,950</u>
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proprietary Activities:					
Non-major Proprietary Funds	260	-	-	-	260
Amount not scheduled for collection during the subsequent year	<u>260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260</u>

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities:				
District:				
Land	341,512	-	-	341,512
Loop Construction in Progress	125,729,119	26,192,733	-	151,921,852
Buildings and Improvements	11,269,748	401,796	-	11,671,544
Machinery and Equipment	5,503,880	326,298	-	5,830,178
County Roads and Bridges	14,945,000	-	-	14,945,000
	<u>157,789,259</u>	<u>26,920,827</u>	<u>-</u>	<u>184,710,086</u>
Totals at Historic Cost				
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,797,166)	(263,096)	-	(5,060,262)
Machinery and Equipment	(4,314,161)	(521,878)	-	(4,836,039)
Roads	(9,557,171)	(298,687)	-	(9,855,858)
Total Accumulated Depreciation	<u>(18,668,498)</u>	<u>(1,083,661)</u>	<u>-</u>	<u>(19,752,159)</u>
Governmental Activities Capital Assets, Net	<u>139,120,761</u>	<u>25,837,166</u>	<u>-</u>	<u>164,957,927</u>
Business-type Activities:				
Furniture and Equipment	331,169	-	-	331,169
Less Accumulated Depreciation				
Furniture and Equipment	(321,088)	(7,188)	-	(328,276)
Business-type Activities Capital Assets, Net:	<u>10,081</u>	<u>(7,188)</u>	<u>-</u>	<u>2,893</u>

Depreciation expense was charged to proprietary activities functions as follows:

Elections	<u>\$7,188</u>
-----------	----------------

Depreciation expense was charged to governmental functions as follows:

General government	155,545
Public Safety	310,125
Highways, streets, and bridges	617,991
Total Depreciation Expense	<u>1,083,661</u>

The above includes internal service funds.

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2014.

<u>Description</u>	<u>Interest Rate</u>	<u>Payable at 10/1/2013</u>	<u>Additions (Reductions)</u>	<u>Payable at 9/30/2014</u>	<u>Due within one year</u>
Unlimited Tax and Pass-Through Toll Revenue Bonds--Series 2007	4.0%				
Bond Premium--Series 2007	4-5%	26,045,000	(985,000)	25,060,000	1,025,000
Unlimited Tax and Pass-Through Toll Revenue Bonds--Series 2009	2.5%				
Bond Premium--Series 2009	2.5-5%	37,745,000	(1,295,000)	36,450,000	1,355,000
Limited Tax Refunding Bonds-Series 2011		154,406	(8,127)	146,279	8,127
Unlimited Tax and Pass-Through Toll Revenue Bonds-Series 2012-A	3.24%	1,450,000	(223,000)	1,227,000	230,000
Bond Premium-Series 2012-A	3-5%	36,680,000	-	36,680,000	575,000
Pass-Through Toll Revenue and Limited Tax Bonds-Series 2012-B	3-5%	3,309,204	-	3,309,204	165,460
Bond Premium-Series 2012-B		44,345,000	-	44,345,000	1,520,000
		1,142,358	-	1,142,358	57,118
		<u>150,903,539</u>	<u>(2,512,936)</u>	<u>148,390,603</u>	<u>4,937,514</u>

The debt service fund long-term debt as of September 30, 2014, follows:

(A) Unlimited Tax and Pass-Through Toll Revenue Bonds Due in annual installments with interest at 4.00%-4.50%	25,060,000
(B) Unamortized Bond Premium	30,762
(C) Unlimited Tax and Pass-Through Toll Revenue Bonds Due in annual installments with interest at 2.5%-5.00%	36,450,000
(D) Unamortized Bond Premium	146,279
(E) Limited Tax Refunding Bond, Series 2011 Due in annual installments with interest at 3.24%	1,227,000
(F) Unlimited Tax and Pass-Through Toll Revenue Bonds Series 2012-A Due in annual installments with interest at 3-5%	36680000
(G) Unamortized Bond Premium-Series 2012-A	3,309,204
(H) Pass-Through Toll Revenue and Limited Tax Bonds Series 2012-B Due in annual installments with interest at 3-5%	44,345,000
(I) Unamortized Bond Premium- Series 2012-B	1,142,358
	<u>148,390,603</u>

G. CHANGES IN LONG-TERM DEBT (cont'd)

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2014, follows:

Year Ended <u>September 30</u>	General Obligations		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	4,705,000	6,228,385	10,933,385
2016	4,882,000	6,045,745	10,927,745
2017	5,070,000	5,859,561	10,929,561
2018	5,258,000	5,668,033	10,926,033
2019	5,477,000	5,452,299	10,929,299
2020-2024	31,075,000	23,573,047	54,648,047
2025-2029	38,590,000	16,048,325	54,638,325
2030-2034	48,705,000	5,940,725	54,645,725
	<u>143,762,000</u>	<u>74,816,120</u>	<u>218,578,120</u>

In November, 2007, the County received \$29.665 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, Series 2007, to be used for architectural, engineering, and right of way purchases for the loop project.

In September, 2009, the County received \$39 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, to be used for construction of the loop project.

In June 2011, the County issued the Limited Tax Refunding Bonds, Series 2011. Proceeds were used to pay off the Certificates of Obligation Series 2004. This transaction resulted in a reduction in future debt service payments of \$114 thousand and an economic gain of \$63 thousand in present value. The principal balance of the refunded bonds at September 30, 2014 is \$1,231,000.

In July, 2012, the County received \$36.68 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, Series 2012-A to be used for construction of the loop project.

In July, 2012, the County received \$44.345 million in Pass-Through Toll Revenue and Limited Tax Bonds-Series 2012-B to be used for construction of the loop project.

The state will reimburse the County for the majority of the cost of the loop project through the State Toll Road Program which will be used to assist in paying off the bonds issued to fund the construction. The State will begin sending approximately \$4 million semi-annually beginning in fiscal year 2015 for a period of twenty years.

H. RETIREMENT PLAN

Plan Description. Titus 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 County 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 656 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 governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.50% for the months of the accounting year in 2013, and 11.17% for the months of the accounting year in 2014.

The deposit rate payable by the employee members for calendar year 2013 is the rate of 7.00% as adopted by the governing body of the employer.

Annual Pension Cost. For the employer's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$555,342 and the actual contributions were \$555,342.

1. Annual required contributions (ARC)	555,342
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	555,342
5. Contributions made	555,342
6. Increase (decrease) in NPO	-
7. NPO beginning of year	-
8. NPO end of year	-

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No.27 parameters based on the actuarial valuations as of December 31, 2011 and December 31, 2012, the basis for determining the contribution rates for calendar years 2013 and 2014. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/11	12/31/12	12/31/13
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10 yr. smoothed value ESF: Fund Value	SAF: 10 yr. smoothed value ESF: Fund Value	SAF: 10 yr. smoothed value ESF: Fund Value

Actuarial Assumptions:

Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

H. RETIREMENT PLAN (continued)

1 Includes inflation at the stated rate

**Trend Information
for the Retirement Plan for the Employees of Titus County**

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	477,911	100%	-
2013	519,754	100%	-
2014	555,342	100%	-

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Titus County**

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
12/31/11	15,037,035	16,458,968	1,421,933	91.36%	4,885,240	29.11%
12/31/12	15,572,312	17,433,842	1,861,530	89.32%	4,903,995	37.96%
12/31/13	16,781,679	18,621,216	1,839,537	90.12%	5,009,886	36.72%

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

I. REVOLVING LOAN FUND

No new loans are expected to be made. \$729 thousand of cash is in this fund at September 30, 2014. It is anticipated that these remaining funds will be returned to the state grant agency in the future.

J. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

K. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2014, 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.

L. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable and fines expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

M. SELF INSURANCE FUNDS

During the year ended September 30, 2014, employees of the County were covered by the County's medical self-insurance Plan (the "Plan"). The County contributed \$775 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third party administrator acting on behalf of the County.

The administrative contract between the County and the Third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Sun Life, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance code. Stop loss coverage was in effect for individual claims exceeding \$50,000 and an aggregate loss limit of \$1,000,000.

Changes in the balances of claims liabilities during the past year for the medical plan are as follows:

	Year Ended September 30, 2013	Year Ended September 30, 2014
Unpaid claims, beginning of the year	-	-
Incurred claims (including IBNR'S)	270,397	853,760
Claim Payments	270,397	853,760
Unpaid claims, end of fiscal year	-	-

N. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2014.

O. LITIGATION

The County has no pending litigation at September 30, 2014.

P. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2014, the financial statement issuance date.

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

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

	Security Fees Fund	Jury Fund	Law Library	Road & Bridge #1
ASSETS				
Cash and Cash Equivalents	\$ 92,588	\$ 86,599	\$ 41,629	\$ 132,290
Receivables (Net)	-	7,551	-	29,619
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 92,588</u>	<u>\$ 94,150</u>	<u>\$ 41,629</u>	<u>\$ 161,909</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 7,005	\$ 2,110	\$ 13,560
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>7,005</u>	<u>2,110</u>	<u>13,560</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines, & Fees	-	7,551	-	18,454
Total Deferred Inflows of Resources	<u>-</u>	<u>7,551</u>	<u>-</u>	<u>18,454</u>
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	92,588	79,594	39,519	129,895
Total Fund Balances	<u>92,588</u>	<u>79,594</u>	<u>39,519</u>	<u>129,895</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 92,588</u>	<u>\$ 94,150</u>	<u>\$ 41,629</u>	<u>\$ 161,909</u>

Road & Bridge #2	Road & Bridge #3	Road & Bridge #4	Justice Court Tech. JP #1	Justice Court Tech. JP #2	Park Fund	Titus County Historical Society	District Clerk Tech Fund
\$ 57,810	\$ 98,623	\$ 163,300	\$ 26,164	\$ 19,123	\$ 140	\$ -	\$ 4,401
19,519	20,353	18,454	-	-	-	-	-
-	-	-	-	-	-	-	-
1,200	1,200	1,200	-	-	-	-	-
<u>\$ 78,529</u>	<u>\$ 120,176</u>	<u>\$ 182,954</u>	<u>\$ 26,164</u>	<u>\$ 19,123</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 4,401</u>
\$ 9,796	\$ 18,448	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	125,000	-	-	-	-	-
-	-	-	-	-	-	-	-
4,275	-	-	-	-	-	-	-
<u>14,071</u>	<u>18,448</u>	<u>125,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
18,454	18,454	18,454	-	-	-	-	-
<u>18,454</u>	<u>18,454</u>	<u>18,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,004	83,274	39,315	26,164	19,123	140	-	4,401
<u>46,004</u>	<u>83,274</u>	<u>39,315</u>	<u>26,164</u>	<u>19,123</u>	<u>140</u>	<u>-</u>	<u>4,401</u>
<u>\$ 78,529</u>	<u>\$ 120,176</u>	<u>\$ 182,954</u>	<u>\$ 26,164</u>	<u>\$ 19,123</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 4,401</u>

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

	Victim of Crime Fund	County Clerk R&M	District Clerk R&M	District Attorney
ASSETS				
Cash and Cash Equivalents	\$ 135,940	\$ 100,942	\$ 6,873	\$ 2,333
Receivables (Net)	-	-	-	-
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 135,940</u>	<u>\$ 100,942</u>	<u>\$ 6,873</u>	<u>\$ 2,333</u>
LIABILITIES				
Accounts Payable	\$ 81,176	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Unearned Revenues	54,764	-	-	-
Total Liabilities	<u>135,940</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines, & Fees	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	-	100,942	6,873	2,333
Total Fund Balances	<u>-</u>	<u>100,942</u>	<u>6,873</u>	<u>2,333</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 135,940</u>	<u>\$ 100,942</u>	<u>\$ 6,873</u>	<u>\$ 2,333</u>

County Attorney	District Clerk RPF	Vehicle Inventory Tax	Family & Protective Services	Texas Capital Fund Escrow	Sheriff Seized	District Attorney Seized	District Attorney Drug Forf.
\$ 413	\$ 7,729	\$ 182,776	\$ -	\$ 729,187	\$ 35,989	\$ 57,605	\$ 531,892
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 413</u>	<u>\$ 7,729</u>	<u>\$ 182,776</u>	<u>\$ -</u>	<u>\$ 729,187</u>	<u>\$ 35,989</u>	<u>\$ 57,605</u>	<u>\$ 531,892</u>
\$ 1,123	\$ -	\$ 173,759	\$ -	\$ -	\$ 35,989	\$ 57,605	\$ 589
-	-	-	-	-	-	-	-
-	-	-	-	729,187	-	-	-
-	-	-	-	-	-	-	-
<u>1,123</u>	<u>-</u>	<u>173,759</u>	<u>-</u>	<u>729,187</u>	<u>35,989</u>	<u>57,605</u>	<u>589</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(710)	7,729	9,017	-	-	-	-	531,303
<u>(710)</u>	<u>7,729</u>	<u>9,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,303</u>
<u>\$ 413</u>	<u>\$ 7,729</u>	<u>\$ 182,776</u>	<u>\$ -</u>	<u>\$ 729,187</u>	<u>\$ 35,989</u>	<u>\$ 57,605</u>	<u>\$ 531,892</u>

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

	Sheriff Forfeiture Fund	State Criminal Alien Assist.	Sheriff Commissary	Juvenile Board
ASSETS				
Cash and Cash Equivalents	\$ 16,666	\$ 16,213	\$ 21,193	\$ 6,386
Receivables (Net)	-	-	-	-
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 16,666</u>	<u>\$ 16,213</u>	<u>\$ 21,193</u>	<u>\$ 6,386</u>
LIABILITIES				
Accounts Payable	\$ 1,730	\$ 3,573	\$ 488	\$ -
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>1,730</u>	<u>3,573</u>	<u>488</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines, & Fees	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	14,936	12,640	20,705	6,386
Total Fund Balances	<u>14,936</u>	<u>12,640</u>	<u>20,705</u>	<u>6,386</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,666</u>	<u>\$ 16,213</u>	<u>\$ 21,193</u>	<u>\$ 6,386</u>

Pre-Trial Intervention	Chapter 19	County & District Court Tech.	Indigent Defense	Vital Statistics	County Clerk Archive	Justice Court Security	PCT #1 CETRZ Grant
\$ 32,512	\$ -	\$ 6,541	\$ 13,648	\$ 6,891	\$ 40,678	\$ 2,461	\$ 1,443
-	-	-	-	-	-	-	41,677
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 32,512</u>	<u>\$ -</u>	<u>\$ 6,541</u>	<u>\$ 13,648</u>	<u>\$ 6,891</u>	<u>\$ 40,678</u>	<u>\$ 2,461</u>	<u>\$ 43,120</u>
\$ 25,588	\$ -	\$ -	\$ -	\$ -	\$ 26,477	\$ -	\$ 43,120
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>25,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,477</u>	<u>-</u>	<u>43,120</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,924	-	6,541	13,648	6,891	14,201	2,461	-
<u>6,924</u>	<u>-</u>	<u>6,541</u>	<u>13,648</u>	<u>6,891</u>	<u>14,201</u>	<u>2,461</u>	<u>-</u>
<u>\$ 32,512</u>	<u>\$ -</u>	<u>\$ 6,541</u>	<u>\$ 13,648</u>	<u>\$ 6,891</u>	<u>\$ 40,678</u>	<u>\$ 2,461</u>	<u>\$ 43,120</u>

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

	PCT #2 CETRZ Grant	PCT #3 CETRZ Grant	Total Nonmajor Special Revenue Funds	2011 Bond I&S
ASSETS				
Cash and Cash Equivalents	\$ (81,065)	\$ (29,837)	\$ 2,568,076	\$ 116,725
Receivables (Net)	81,065	29,837	248,075	14,853
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	3,600	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819,751</u>	<u>\$ 131,578</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 502,321	\$ -
Due to Other Funds	-	-	125,000	-
Due to Other Governments	-	-	729,187	-
Unearned Revenues	-	-	59,039	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,415,547</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines, & Fees	-	-	81,367	14,853
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>81,367</u>	<u>14,853</u>
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	116,725
Reported in Special Revenue Funds	-	-	1,322,837	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,322,837</u>	<u>116,725</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819,751</u>	<u>\$ 131,578</u>

2012A Bond I&S	2007 Loop Bond	2012 Bond I&S	Total Nonmajor Debt Service Funds	Titus County Bell Tower	2004 ROW Cap. Proj.	Total Nonmajor Governmental Funds
\$ 331,699	\$ 1,519,945	\$ 10,860	\$ 1,979,229	\$ 5,156	\$ 3,325,007	\$ 7,877,468
-	-	-	14,853	-	-	262,928
-	-	-	-	-	125,000	125,000
-	-	-	-	-	-	3,600
<u>\$ 331,699</u>	<u>\$ 1,519,945</u>	<u>\$ 10,860</u>	<u>\$ 1,994,082</u>	<u>\$ 5,156</u>	<u>\$ 3,450,007</u>	<u>\$ 8,268,996</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 502,321
-	-	-	-	-	-	125,000
-	-	-	-	-	-	729,187
-	-	-	-	-	-	59,039
-	-	-	-	-	-	1,415,547
-	-	-	14,853	-	-	96,220
-	-	-	14,853	-	-	96,220
-	-	-	-	5,156	3,450,007	3,455,163
331,699	1,519,945	10,860	1,979,229	-	-	1,979,229
-	-	-	-	-	-	1,322,837
<u>331,699</u>	<u>1,519,945</u>	<u>10,860</u>	<u>1,979,229</u>	<u>5,156</u>	<u>3,450,007</u>	<u>6,757,229</u>
<u>\$ 331,699</u>	<u>\$ 1,519,945</u>	<u>\$ 10,860</u>	<u>\$ 1,994,082</u>	<u>\$ 5,156</u>	<u>\$ 3,450,007</u>	<u>\$ 8,268,996</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Security Fees Fund	Jury Fund	Law Library	Road & Bridge #1
REVENUES:				
Taxes	\$ -	\$ 141,663	\$ -	\$ 346,138
Licenses and Permits	-	-	-	172,347
Intergovernmental Revenue and Grants	-	7,404	-	14,055
Charges for Services	15,106	7,485	16,940	-
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	15,106	156,552	16,940	532,540
EXPENDITURES:				
Current:				
Judicial	-	149,026	33,357	-
Legal	-	-	-	-
Public Safety	11,500	-	-	-
Highways, Streets, & Bridges	-	-	-	455,416
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	11,500	149,026	33,357	455,416
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,606	7,526	(16,417)	77,124
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	15,000	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	(5,871)
Total Other Financing Sources (Uses)	-	-	15,000	(5,871)
Net Change in Fund Balance	3,606	7,526	(1,417)	71,253
Fund Balance - October 1 (Beginning)	88,982	72,068	40,936	58,642
Fund Balance - September 30 (Ending)	\$ 92,588	\$ 79,594	\$ 39,519	\$ 129,895

Road & Bridge #2	Road & Bridge #3	Road & Bridge #4	Justice Court Tech. JP #1	Justice Court Tech. JP #2	Park Fund	Titus County Historical Society	District Clerk Tech Fund
\$ 346,138	\$ 346,138	\$ 346,138	\$ -	\$ -	\$ -	\$ -	\$ -
172,347	172,347	172,347	-	-	-	-	-
14,055	14,055	14,055	-	-	-	-	-
-	-	-	5,840	4,371	15,639	-	2,690
-	-	-	-	-	-	-	-
-	11,540	-	-	-	-	-	-
<u>532,540</u>	<u>544,080</u>	<u>532,540</u>	<u>5,840</u>	<u>4,371</u>	<u>15,639</u>	<u>-</u>	<u>2,690</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
470,938	497,954	466,968	-	-	-	-	1,064
-	-	-	-	-	24,112	-	-
-	-	-	1,159	1,762	-	116	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>470,938</u>	<u>497,954</u>	<u>466,968</u>	<u>1,159</u>	<u>1,762</u>	<u>24,112</u>	<u>116</u>	<u>1,064</u>
<u>61,602</u>	<u>46,126</u>	<u>65,572</u>	<u>4,681</u>	<u>2,609</u>	<u>(8,473)</u>	<u>(116)</u>	<u>1,626</u>
-	-	-	-	-	5,000	-	-
-	16,974	-	-	-	-	-	-
(10,105)	(5,098)	(125,000)	-	-	-	-	-
<u>(10,105)</u>	<u>11,876</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
51,497	58,002	(59,428)	4,681	2,609	(3,473)	(116)	1,626
(5,493)	25,272	98,743	21,483	16,514	3,613	116	2,775
<u>\$ 46,004</u>	<u>\$ 83,274</u>	<u>\$ 39,315</u>	<u>\$ 26,164</u>	<u>\$ 19,123</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 4,401</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Victim of Crime Fund	County Clerk R&M	District Clerk R&M	District Attorney
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	48,280	3,141	300
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	-	48,280	3,141	300
EXPENDITURES:				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	440
Public Safety	-	-	-	-
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	26,978	2,250	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	-	26,978	2,250	440
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	21,302	891	(140)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	21,302	891	(140)
Fund Balance - October 1 (Beginning)	-	79,640	5,982	2,473
Fund Balance - September 30 (Ending)	\$ -	\$ 100,942	\$ 6,873	\$ 2,333

County Attorney	District Clerk RPF	Vehicle Inventory Tax	Family & Protective Services	Texas Capital Fund Escrow	Sheriff Seized	District Attorney Seized	District Attorney Drug Forf.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	2,958	-	-	-	-
6,756	3,734	-	-	-	-	-	-
-	-	-	-	-	-	-	91,996
-	-	3,707	-	-	-	-	1,899
<u>6,756</u>	<u>3,734</u>	<u>3,707</u>	<u>2,958</u>	-	-	-	<u>93,895</u>
-	-	-	-	-	-	-	-
(1)	-	-	-	-	-	-	109,796
-	-	-	2,958	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(1)</u>	-	-	<u>2,958</u>	-	-	-	<u>109,796</u>
<u>6,757</u>	<u>3,734</u>	<u>3,707</u>	-	-	-	-	<u>(15,901)</u>
-	-	-	-	-	-	-	-
(7,000)	-	-	-	-	-	-	-
<u>(7,000)</u>	-	-	-	-	-	-	-
(243)	3,734	3,707	-	-	-	-	(15,901)
(467)	3,995	5,310	-	-	-	-	547,204
<u>\$ (710)</u>	<u>\$ 7,729</u>	<u>\$ 9,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,303</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Sheriff Forfeiture Fund	State Criminal Alien Assist.	Sheriff Commissary	Juvenile Board
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	18,293	-	95,285
Charges for Services	-	-	-	-
Fines	11,804	-	-	-
Other Revenue	36	-	-	-
Total Revenues	11,840	18,293	-	95,285
EXPENDITURES:				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	89,701
Public Safety	-	12,106	-	-
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	12,229	-	54,959	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	4,371	-	-	-
Total Expenditures	16,600	12,106	54,959	89,701
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,760)	6,187	(54,959)	5,584
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	60,000	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	60,000	-
Net Change in Fund Balance	(4,760)	6,187	5,041	5,584
Fund Balance - October 1 (Beginning)	19,696	6,453	15,664	802
Fund Balance - September 30 (Ending)	\$ 14,936	\$ 12,640	\$ 20,705	\$ 6,386

Pre-Trial Intervention	Chapter 19	County & District Court Tech.	Indigent Defense	Vital Statistics	County Clerk Archive	Justice Court Security	PCT #1 CETRZ Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	5,637	-	-	-	-	-	52,842
31,165	-	2,362	-	2,613	45,560	2,461	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>31,165</u>	<u>5,637</u>	<u>2,362</u>	<u>-</u>	<u>2,613</u>	<u>45,560</u>	<u>2,461</u>	<u>52,842</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
25,588	-	-	1,794	1,370	66,374	-	58,713
-	-	-	-	-	-	-	-
-	5,637	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>25,588</u>	<u>5,637</u>	<u>-</u>	<u>1,794</u>	<u>1,370</u>	<u>66,374</u>	<u>-</u>	<u>58,713</u>
<u>5,577</u>	<u>-</u>	<u>2,362</u>	<u>(1,794)</u>	<u>1,243</u>	<u>(20,814)</u>	<u>2,461</u>	<u>(5,871)</u>
-	-	-	-	-	-	-	5,871
-	-	-	-	-	-	-	-
<u>(29,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(29,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,871</u>
(23,423)	-	2,362	(1,794)	1,243	(20,814)	2,461	-
30,347	-	4,179	15,442	5,648	35,015	-	-
<u>\$ 6,924</u>	<u>\$ -</u>	<u>\$ 6,541</u>	<u>\$ 13,648</u>	<u>\$ 6,891</u>	<u>\$ 14,201</u>	<u>\$ 2,461</u>	<u>\$ -</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	PCT #2 CETRZ Grant	PCT #3 CETRZ Grant	Total Nonmajor Special Revenue Funds	2011 Bond I&S
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,526,215	\$ 278,575
Licenses and Permits	-	-	689,388	-
Intergovernmental Revenue and Grants	90,946	45,884	375,469	-
Charges for Services	-	-	214,443	-
Fines	-	-	103,800	-
Other Revenue	-	-	17,182	484
Total Revenues	90,946	45,884	2,926,497	279,059
EXPENDITURES:				
Current:				
Judicial	-	-	182,383	-
Legal	-	-	199,936	-
Public Safety	-	-	27,628	-
Highways, Streets, & Bridges	101,051	50,982	2,197,148	-
Cultural and Recreational	-	-	24,112	-
Miscellaneous	-	-	105,090	-
Debt Service:				
Bond Principal	-	-	-	223,000
Bond Interest	-	-	-	42,876
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	4,371	-
Total Expenditures	101,051	50,982	2,740,668	265,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,105)	(5,098)	185,829	13,183
OTHER FINANCING SOURCES (USES):				
Transfers In	10,105	5,098	101,074	-
Other Resources	-	-	16,974	-
Transfers Out (Use)	-	-	(182,074)	-
Total Other Financing Sources (Uses)	10,105	5,098	(64,026)	-
Net Change in Fund Balance	-	-	121,803	13,183
Fund Balance - October 1 (Beginning)	-	-	1,201,034	103,542
Fund Balance - September 30 (Ending)	\$ -	\$ -	\$ 1,322,837	\$ 116,725

2012A Bond I&S	2007 Loop Bond	2012 Bond I&S	Total Nonmajor Debt Service Funds	Titus County Bell Tower	2004 ROW Cap. Proj.	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 278,575	\$ -	\$ -	\$ 1,804,790
-	-	-	-	-	-	689,388
320,394	-	-	320,394	-	-	695,863
-	-	-	-	-	-	214,443
-	-	-	-	-	-	103,800
1,722	6,299	1,489	9,994	1,130	12,527	40,833
<u>322,116</u>	<u>6,299</u>	<u>1,489</u>	<u>608,963</u>	<u>1,130</u>	<u>12,527</u>	<u>3,549,117</u>
-	-	-	-	-	-	182,383
-	-	-	-	-	-	199,936
-	-	-	-	-	-	27,628
-	-	-	-	-	515,085	2,712,233
-	-	-	-	-	-	24,112
-	-	-	-	65	-	105,155
-	985,000	-	1,208,000	-	-	1,208,000
1,761,200	1,146,531	1,722,012	4,672,619	-	-	4,672,619
538	538	538	1,614	-	-	1,614
-	-	-	-	-	-	4,371
<u>1,761,738</u>	<u>2,132,069</u>	<u>1,722,550</u>	<u>5,882,233</u>	<u>65</u>	<u>515,085</u>	<u>9,138,051</u>
<u>(1,439,622)</u>	<u>(2,125,770)</u>	<u>(1,721,061)</u>	<u>(5,273,270)</u>	<u>1,065</u>	<u>(502,558)</u>	<u>(5,588,934)</u>
1,761,200	2,131,532	1,722,013	5,614,745	-	125,000	5,840,819
-	-	-	-	-	-	16,974
-	-	-	-	-	-	(182,074)
<u>1,761,200</u>	<u>2,131,532</u>	<u>1,722,013</u>	<u>5,614,745</u>	<u>-</u>	<u>125,000</u>	<u>5,675,719</u>
321,578	5,762	952	341,475	1,065	(377,558)	86,785
<u>10,121</u>	<u>1,514,183</u>	<u>9,908</u>	<u>1,637,754</u>	<u>4,091</u>	<u>3,827,565</u>	<u>6,670,444</u>
<u>\$ 331,699</u>	<u>\$ 1,519,945</u>	<u>\$ 10,860</u>	<u>\$ 1,979,229</u>	<u>\$ 5,156</u>	<u>\$ 3,450,007</u>	<u>\$ 6,757,229</u>

INTERNAL SERVICE FUNDS

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2014

EXHIBIT G-1

	Maintenance Building	Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,217	\$ 569,129	\$ 581,346
Accounts Receivable-Net of Uncollectible Allowance	-	255,203	255,203
Total Current Assets	<u>12,217</u>	<u>824,332</u>	<u>836,549</u>
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	79,790	-	79,790
Buildings	151,858	-	151,858
Accumulated Depreciation - Buildings	(70,483)	-	(70,483)
Improvements other than Buildings	4,994	-	4,994
Accumulated Depreciation - Other Improvements	(4,994)	-	(4,994)
Machinery and Equipment	118,603	-	118,603
Accumulated Depreciation - Machinery & Equipment	(118,603)	-	(118,603)
Total Noncurrent Assets	<u>161,165</u>	<u>-</u>	<u>161,165</u>
Total Assets	<u>173,382</u>	<u>824,332</u>	<u>997,714</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	3,542	289,372	292,914
Total Liabilities	<u>3,542</u>	<u>289,372</u>	<u>292,914</u>
NET POSITION			
Unrestricted Net Position	169,840	534,960	704,800
Total Net Position	<u>\$ 169,840</u>	<u>\$ 534,960</u>	<u>\$ 704,800</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT G-2

	Maintenance Building	Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:			
Charges for Services	\$ 26,392	\$ 1,502,921	\$ 1,529,313
Total Operating Revenues	<u>26,392</u>	<u>1,502,921</u>	<u>1,529,313</u>
OPERATING EXPENSES:			
Highways, streets, and bridges	165,770	-	165,770
Insurance coverage and medical claims	-	1,621,821	1,621,821
Depreciation	3,035	-	3,035
Total Operating Expenses	<u>168,805</u>	<u>1,621,821</u>	<u>1,790,626</u>
Income (Loss) Before Transfers	(142,413)	(118,900)	(261,313)
Transfer In	<u>140,000</u>	-	<u>140,000</u>
Change in Net Position	(2,413)	(118,900)	(121,313)
Total Net Position - October 1 (Beginning)	<u>172,253</u>	<u>653,860</u>	<u>826,113</u>
Total Net Position - September 30 (Ending)	<u>\$ 169,840</u>	<u>\$ 534,960</u>	<u>\$ 704,800</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Maintenance Building	Insurance Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 26,392	\$ 266,015	\$ 292,407
Cash Received from Assessments - Other Funds	-	981,703	981,703
Cash Payments for Payroll and Benefits	(122,990)	-	(122,990)
Cash Payments for Insurance Claims	-	(1,332,449)	(1,332,449)
Cash Payments for Suppliers	(35,498)	-	(35,498)
Cash Payments for Other Operating Expenses	(7,501)	-	(7,501)
Net Cash Provided by (Used for) Operating Activities	<u>(139,597)</u>	<u>(84,731)</u>	<u>(224,328)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer In	<u>140,000</u>	-	<u>140,000</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	-	-	-
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	403	(84,731)	(84,328)
Cash and Cash Equivalents at Beginning of the Year:	<u>11,814</u>	<u>653,860</u>	<u>665,674</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 12,217</u>	<u>\$ 569,129</u>	<u>\$ 581,346</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ (142,413)	\$ (118,900)	\$ (261,313)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	3,035	-	3,035
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	-	(255,203)	(255,203)
Increase (decrease) in Accounts Payable	(220)	289,372	289,152
Net Cash Provided by (Used for) Operating Activities	<u>\$ (139,598)</u>	<u>\$ (84,731)</u>	<u>\$ (224,329)</u>

ENTERPRISE FUNDS

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2014

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 25,295	\$ 97,294	\$ 122,589
Accounts Receivable-Net of Uncollectible Allowance	-	17,389	17,389
Inventories	3,618	-	3,618
Prepaid Items	-	269	269
Total Current Assets	<u>28,913</u>	<u>114,952</u>	<u>143,865</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment	1,486	331,168	332,654
Accumulated Depreciation - Machinery & Equipment	(1,486)	(328,277)	(329,763)
Total Noncurrent Assets	<u>-</u>	<u>2,891</u>	<u>2,891</u>
Total Assets	<u>28,913</u>	<u>117,843</u>	<u>146,756</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	260	260
Total Liabilities	<u>-</u>	<u>260</u>	<u>260</u>
NET POSITION			
Unrestricted Net Position	<u>28,913</u>	<u>117,583</u>	<u>146,496</u>
Total Net Position	<u>\$ 28,913</u>	<u>\$ 117,583</u>	<u>\$ 146,496</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT H-2

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 140,574	\$ 69,480	\$ 210,054
Other Revenue	65	-	65
Total Operating Revenues	<u>140,639</u>	<u>69,480</u>	<u>210,119</u>
OPERATING EXPENSES:			
Public Safety	68,690	-	68,690
Elections	-	230,164	230,164
Depreciation	-	7,189	7,189
Total Operating Expenses	<u>68,690</u>	<u>237,353</u>	<u>306,043</u>
Income (Loss) Before Transfers	71,949	(167,873)	(95,924)
Transfer In	-	200,000	200,000
Transfers Out	(60,000)	-	(60,000)
Change in Net Position	<u>11,949</u>	<u>32,127</u>	<u>44,076</u>
Total Net Position - October 1 (Beginning)	<u>16,964</u>	<u>85,456</u>	<u>102,420</u>
Total Net Position - September 30 (Ending)	<u>\$ 28,913</u>	<u>\$ 117,583</u>	<u>\$ 146,496</u>

TITUS COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 140,639	\$ 52,091	\$ 192,730
Cash Payments for Payroll and Benefits	-	(164,465)	(164,465)
Cash Payments for Suppliers	(69,025)	(79,312)	(148,337)
Net Cash Provided by (Used for) Operating Activities	<u>71,614</u>	<u>(191,686)</u>	<u>(120,072)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer In	-	200,000	200,000
Transfer Out	(60,000)	-	(60,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(60,000)</u>	<u>200,000</u>	<u>140,000</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	-	-	-
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	-	-	-
Net Increase in Cash and Cash Equivalents	11,614	8,314	19,928
Cash and Cash Equivalents at Beginning of the Year:	<u>13,681</u>	<u>88,980</u>	<u>102,661</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 25,295</u>	<u>\$ 97,294</u>	<u>\$ 122,589</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ 71,949	\$ (167,873)	\$ (95,924)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	-	7,189	7,189
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	-	(17,389)	(17,389)
Decrease (increase) in Inventories	(335)	-	(335)
Decrease (increase) in Prepaid Expenses	-	-	-
Increase (decrease) in Accounts Payable	-	(13,613)	(13,613)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 71,614</u>	<u>\$ (191,686)</u>	<u>\$ (120,072)</u>

SUPPLEMENTAL INFORMATION

Titus County, Texas
 BUDGETARY COMPARISON SCHEDULE
 2007 Loop Debt Service Fund
 for the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	-	-	-	-
Miscellaneous	7,500	7,500	6,299	(1,201)
Total revenues	7,500	7,500	6,299	(1,201)
EXPENDITURES				
Debt service-principal	985,000	985,000	985,000	-
Debt service-interest	1,146,532	1,146,532	1,146,531	1
Bond fees	1,000	1,000	538	462
Total expenditures	2,132,532	2,132,532	2,132,069	463
Excess of revenues over (under) expenditures	(2,125,032)	(2,125,032)	(2,125,770)	738
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,131,532	2,131,532	2,131,532	-
Operating transfers out	-	-	-	-
Total other sources (uses)	2,131,532	2,131,532	2,131,532	-
Excess of revenues and other sources over (under) expenditures and other uses	6,500	6,500	5,762	(738)
FUND BALANCE				
Beginning of year	1,514,183	1,514,183	1,514,183	-
End of year	1,520,683	1,520,683	1,519,945	(738)

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2009 Bond Debt Service Fund
for the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	2,833,632	2,833,632	2,967,706	134,074
Miscellaneous	6,500	6,500	7,333	833
Total revenues	<u>2,840,132</u>	<u>2,840,132</u>	<u>2,975,039</u>	<u>134,907</u>
EXPENDITURES				
Debt service-principal	1,295,000	1,295,000	1,295,000	-
Debt service-interest	1,694,013	1,694,013	1,694,012	1
Bond fees	1,000	1,000	538	462
Total expenditures	<u>2,990,013</u>	<u>2,990,013</u>	<u>2,989,550</u>	<u>463</u>
Excess of revenues over (under) expenditures	<u>(149,881)</u>	<u>(149,881)</u>	<u>(14,511)</u>	<u>(135,370)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	155,381	155,381	155,381	-
Operating transfers out	-	-	-	-
Total other sources (uses)	<u>155,381</u>	<u>155,381</u>	<u>155,381</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	5,500	5,500	140,870	135,370
FUND BALANCE				
Beginning of year	1,219,242	1,219,242	1,219,242	-
End of year	<u>1,224,742</u>	<u>1,224,742</u>	<u>1,360,112</u>	<u>135,370</u>

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2011 Bond Debt Service Fund
for the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	266,368	265,463	278,575	13,112
Miscellaneous	500	1,000	484	(516)
Total revenues	<u>266,868</u>	<u>266,463</u>	<u>279,059</u>	<u>12,596</u>
EXPENDITURES				
Debt service-principal	223,000	215,000	223,000	(8,000)
Debt service-interest	43,368	50,463	42,876	7,587
Bond fees	500	1,000	-	1,000
Total expenditures	<u>266,868</u>	<u>266,463</u>	<u>265,876</u>	<u>587</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>13,183</u>	<u>(13,183)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>13,183</u>	<u>13,183</u>
FUND BALANCE				
Beginning of year	<u>103,542</u>	<u>103,542</u>	<u>103,542</u>	<u>-</u>
End of year	<u><u>103,542</u></u>	<u><u>103,542</u></u>	<u><u>116,725</u></u>	<u><u>13,183</u></u>

Titus County, Texas
BUDGETARY COMPARISON SCH0045DULE
2012-A Bond Debt Service Fund
for the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	-	-	-	-
Intergovernmental	320,394	320,394	320,394	-
Miscellaneous	50	50	1,722	1,672
Total revenues	320,444	320,444	322,116	1,672
EXPENDITURES				
Debt service-principal	-	-	-	-
Debt service-interest	1,761,200	1,761,200	1,761,200	-
Bond fees	50	50	538	(488)
Total expenditures	1,761,250	1,761,250	1,761,738	(488)
Excess of revenues over (under) expenditures	(1,440,806)	(1,440,806)	(1,439,622)	(1,184)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,761,200	1,761,200	1,761,200	-
Operating transfers out	-	-	-	-
Total other sources (uses)	1,761,200	1,761,200	1,761,200	-
Excess of revenues and other sources over (under) expenditures and other uses	320,394	320,394	321,578	1,184
FUND BALANCE				
Beginning of year	10,121	10,121	10,121	-
End of year	330,515	330,515	331,699	1,184

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2012-B Bond Debt Service Fund
for the year ended September 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	-	-	-	-
Miscellaneous	50	10,000	1,489	(8,511)
Total revenues	50	10,000	1,489	(8,511)
EXPENDITURES				
Debt service-principal	-	-	-	-
Debt service-interest	1,722,013	1,722,013	1,722,012	1
Bond fees	538	540	538	2
Total expenditures	1,722,551	1,722,553	1,722,550	3
Excess of revenues over (under) expenditures	(1,722,501)	(1,712,553)	(1,721,061)	8,508
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,722,013	1,722,013	1,722,013	-
Operating transfers out	-	-	-	-
Total other sources (uses)	1,722,013	1,722,013	1,722,013	-
Excess of revenues and other sources over (under) expenditures and other uses	(488)	9,460	952	(8,508)
FUND BALANCE				
Beginning of year	9,908	9,908	9,908	-
End of year	9,420	19,368	10,860	(8,508)

INTERNAL CONTROL SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
 Lanny G. Walker, C.P.A., P.F.S.
 Kris Arnold, C.P.A., P.F.S.
 Andrew T. Arnold, C.P.A.
 Melissa J. Godfrey, C.P.A.

MEMBER
 American Institute Of
 Certified Public Accountants
 Texas State Society Of
 Certified Public Accountants

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

The Honorable Judge and
 County Commissioners
 Titus County, Texas
 Mount Pleasant, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Titus County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 questioned costs as items 14-1 and 14-2 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Titus County's Response to Findings

Titus County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Titus 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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 19, 2014

Titus County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2014

I. Summary of the Auditor's Results:

The type of report issued on the financial statements of the County of Titus, Texas was an unmodified opinion.

- a. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. See II below, no material weaknesses.
- b. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee.
NONE
- c. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- d. The type of report the auditor issued on compliance for major programs. N/A
- e. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include: N/A
- f. An identification of major programs: N/A
- g. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- h. A statement as to whether the auditee qualified as a low-risk auditee. N/A

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

2014-1 DISTRICT CLERK

Criteria- Internal controls would call for reconciling the bank balance and the subsidiary ledger monthly. Also, internal controls would call for entering receipts in the computer when they are received. Cross-training is needed so that all accounting processes are accomplished timely.

Deficiency and Context- The District Clerk's "main bank account" is still not being reconciled monthly to the subledger that should support the balance. This subledger is much smaller now than in previous years. This subledger is manually kept and has not been entered on the computer yet. In addition, receipts are not always entered into the computer when received. Hand written cash receipts are issued in many cases and then these are entered into the computer later. Cross-training is needed in the office so that all accounting processes can be done when personnel are absent from duty.

Effect- For a long period of time, the exact composition of the bank balance has not been known because it has not been reconciled with the subsidiary ledger. On the receipts, it would be possible that the hand written receipt not be posted against a receivable in the computer. Accounting processes might not be accomplished when personnel are absent from duty.

Cause- There have been a lot of old cases not listed in the ledger but the money was in the bank account. The subsidiary ledger has been really cumbersome to work with. Regarding the receipts, sometimes clerks find it easier to just quickly issue a hand written receipt.

Recommendation- The District Clerk should continue to try and close out old cases and continue to investigate the composition of the bank account so that the bank account agrees to a subsidiary ledger. All receipts should be entered on the as received rather than hand written receipts. Cross-training is needed in the office so that all accounting processes can be done when personnel are absent from duty.

Titus County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd)
For the year ended September 30, 2014

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*. (cont'd)

2014-2 TAX OFFICE

Criteria- Internal controls call for all reconciled bank balances for tax office accounts that are not cleared to zero be supported by a subsidiary ledger that gives detail of the composition of the balance and where the reconciled balance of the account should be zero, then the accounts need to be cleared as soon as possible.

Deficiency and Context- The property tax collection account has a balance in it that has not been cleared and has continued to grow.

Effect- There is money in this account that is owed to other parties that must be paid out.

Cause- There are either refunds that have not been paid back to taxpayers or there is money that has not been paid out to the County. There is no subsidiary ledger available that supports the uncleared balance.

Recommendation-The tax office needs to determine who these funds need to be paid to and clear the account.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

Titus County, Texas
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2014

- 13-1 District Clerk--The District Clerk's "main bank account" is still not balanced to the subledger that gives the composition of the balance. However this subledger has been substantially decreased as many cases have been cleared out.

Titus County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2014

VIEWS AND PLANNED CORRECTIVE ACTIONS

- 14-1 The District Clerk agrees that these areas need improvement. The subledger for the "main bank account" will be reconciled to the bank balance in the near future. Old cases continue to be closed out. The account balance continues to be steadily paid out. Also, receipts will be entered into the computer upon receipt rather than hand writing some receipts. More cross-training on the computer will be accomplished. The District Clerk will continue to address these areas.
- 14-2 The Tax Office will get this money paid out to the proper parties.