

**TITUS COUNTY, TEXAS**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**SEPTEMBER 30, 2013**

Titus County, Texas  
 TABLE OF CONTENTS  
 Year ended September 30, 2013

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-11
	<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
	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
	<b><u>COMBINING SCHEDULES</u></b>	
	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
	<b><u>SUPPLEMENTAL INFORMATION</u></b>	
I-1	Budgetary Comparison Schedule - Debt Service Funds	64-68
	<b><u>INTERNAL CONTROL SECTION</u></b>	
	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
	Schedule of Status of Prior Findings	72
	Corrective Action Plan	73



**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.  
Amy E. Smith, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*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, 2013, 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 January 21, 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.

January 21, 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, 2013. 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 \$39.7 million at September 30, 2013. This is a decrease of \$3.5 million. Expenses exceeded revenue by \$2.8 million. The total of property tax and sales tax revenue was down \$245 thousand. Charges for services were down \$429 thousand. Investment income decreased \$440 thousand.

The total cost of all the County's activities was up by 10% or \$1.68 million, compared to the prior year. Interest on debt was \$2.5 million more than the prior year. \$85.5 million of debt had been issued the prior year for loop construction. Interest was paid on that debt this year.

The general fund balance is \$6.38 million at September 30, 2013 which is an increase of \$559 thousand. Revenue decreased \$62 thousand. Sales tax revenue increased \$222 thousand. Property taxes decreased \$270 thousand. Tax values decreased compared to the prior year. Expenditures increased \$394 thousand or 5%. Judicial costs increased \$103 thousand of which most is an increase in court appointed attorney expenses. Public safety costs increased \$183 thousand of which \$139 thousand is an increase in payroll and benefits in the Sheriff department.

During the year, \$47 million of fixed assets were added. Most of the increase was related to the Loop construction project that is ongoing.

Approximately \$126 million has been spent to date on the loop construction project and is reflected as construction in progress. There is \$36.2 million in fund balance restricted for construction at September 30, 2013.

There is \$2.85 million in debt service fund balances. Special revenue funds reflect fund balances of \$1.2 million.

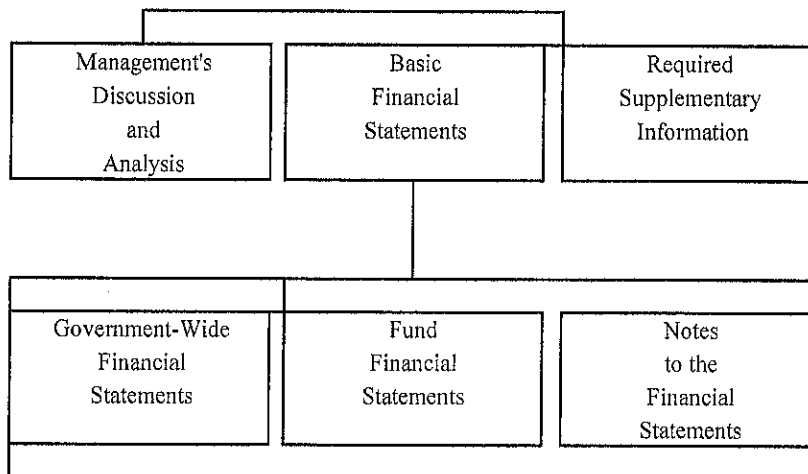
Approximately 97% of the taxes levied for 2012-13 were collected by September 30, 2013.

## 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				
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	*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 cash flows	*Statement of changes in fiduciary net position
Accounting basis and measurement focus	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
Type of asset/liability information	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
Type of inflow/outflow information	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 is 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 \$39.7 million at September 30, 2013.

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

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	61,446	112,006	106	78	61,552	112,084
Capital and non-current assets	139,121	93,111	10	42	139,131	93,153
<b>TOTAL ASSETS</b>	<b>200,567</b>	<b>205,117</b>	<b>116</b>	<b>120</b>	<b>200,683</b>	<b>205,237</b>
Long-term liabilities	150,904	153,548	-	-	150,904	153,548
Other liabilities	5,898	4,181	14	-	5,912	4,181
<b>TOTAL LIABILITIES</b>	<b>156,802</b>	<b>157,729</b>	<b>14</b>	<b>-</b>	<b>156,816</b>	<b>157,729</b>
Unavailable revenue-taxes, fines, & fees	4,158	4,254	-	-	4,158	4,254
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,158</b>	<b>4,254</b>	<b>-</b>	<b>-</b>	<b>4,158</b>	<b>4,254</b>
<b>Net position</b>						
Invested in capital assets net of related debt	24,442	28,027	10	42	24,452	28,069
Restricted	7,890	8,982	-	-	7,890	8,982
Unrestricted	7,275	6,125	92	78	7,367	6,203
<b>TOTAL NET POSITION</b>	<b>39,607</b>	<b>43,134</b>	<b>102</b>	<b>120</b>	<b>39,709</b>	<b>43,254</b>

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 \$7.36 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$7.89 million is restricted as follows:

Restricted for debt service	2,857
Restricted for capital projects	3,832
Restricted for special revenue funds	1,201
	<u>7,890</u>

Net position of the County decreased from \$43.2 million to \$39.7 million, or \$3.5 million. The County's expenditures exceeded revenues by \$51.9 million. The loop construction fund reflected a \$52.2 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. \$47 million was expended on capital outlay this year. \$2.4 million was expended on debt principal. Depreciation expense of \$935 thousand was recorded. There were prior period adjustments that decreased beginning net position by \$738 thousand.

Changes in net position.

The County's total revenues were \$15.7 million. 61% of this came from property taxes 15% came from sales taxes and other taxes, 18% came from charges for services.

The total cost of all programs was \$18.5 million. Approximately 25% of this was for public safety, 17% was for highways, streets and bridges, and 35% was for debt service costs.

Net position decreased by \$2.8 million from the excess of expenses over revenue.

Table A-2  
The County's Changes in Net Position  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for service	2,617	2,993	150	203	2,767	3,196
Operating Grants and Contributions	220	251	-	-	220	251
<u>General Revenues</u>						
Property taxes	9,667	10,339	-	-	9,667	10,339
Other taxes	2,387	1,960	-	-	2,387	1,960
Investment earnings	485	925	-	-	485	925
Contribution- TxDOT	-	13,300	-	-	-	13,300
Other	213	242	-	-	213	242
<b>Total Revenues</b>	<u>15,589</u>	<u>30,010</u>	<u>150</u>	<u>203</u>	<u>15,739</u>	<u>30,213</u>
<b>Expenses</b>						
General government	1,082	1,190	-	-	1,082	1,190
Judicial	1,008	1,030	-	-	1,008	1,030
Legal	512	454	-	-	512	454
Financial	895	994	-	-	895	994
Public facility	203	204	-	-	203	204
Public safety	4,616	5,093	84	80	4,700	5,173
Health and welfare	151	159	-	-	151	159
Highways, streets, and bridges	3,112	2,889	-	-	3,112	2,889
Cultural and recreational	22	23	-	-	22	23
County extension	79	88	-	-	79	88
Miscellaneous	105	73	-	-	105	73
Elections	-	-	231	257	231	257
Debt service	6,446	4,325	-	-	6,446	4,325
<b>Total Expenses</b>	<u>18,231</u>	<u>16,522</u>	<u>315</u>	<u>337</u>	<u>18,546</u>	<u>16,859</u>
Transfers in (out)	(147)	(115)	147	115	-	-
<b>Increase (Decrease) in Net Position</b>	(2,789)	13,373	(18)	(19)	(2,807)	13,354
<b>Beginning Net Position</b>	43,134	29,761	120	139	43,254	29,900
<b>Prior Period Adjustment</b>	(738)	-	-	-	(738)	-
<b>Ending Net Position</b>	<u>39,607</u>	<u>43,134</u>	<u>102</u>	<u>120</u>	<u>39,709</u>	<u>43,254</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 \$18.2 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$9.67 million.
- Some of the cost was paid by those who directly benefited from the programs (\$2.62 million), or by grants and contributions (\$220 thousand).

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

	Total Cost of Services		Net Costs of Services	
	2013	2012	2013	2012
General Government	1,082	1,190	704	754
Public Safety	4,616	5,093	4,247	4,490
Judicial	1,008	1,030	125	74
Highways, Streets, and Bridges	3,112	2,889	2,396	2,164

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$50.5 million at September 30, 2013. This balance is composed of the following in thousands

General	6,380
Special revenue	1,201
Debt service	2,857
Capital projects	40,057
	<u>50,495</u>

The general fund increased \$559 thousand as compared to \$687 thousand the prior year. The capital project fund balance decrease of \$52 million is because all debt proceeds to fund the Loop Construction had been reviewed 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 \$606 thousand, or 7%. Actual revenues were \$260 thousand more than budgeted. \$328 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$559 thousand from the excess of revenues over expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Land	342	342	-	-
Loop construction in progress	125,729	79,097	-	-
Buildings and improvements	11,269	11,120	-	-
Machinery and equipment	5,504	5,671	331	331
Roads and bridges	14,945	14,945	-	-
Totals at historical cost	<u>157,789</u>	<u>111,175</u>	<u>331</u>	<u>331</u>
Total accumulated depreciation	<u>18,668</u>	<u>18,064</u>	<u>321</u>	<u>289</u>
Net capital assets	<u>139,121</u>	<u>93,111</u>	<u>10</u>	<u>42</u>

The Loop construction project is in progress. Approximately \$126 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	
	2013	2012
Bonds payable	<u>150,903</u>	<u>153,333</u>
Notes payable	<u>-</u>	<u>215</u>
	<u>150,903</u>	<u>153,548</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

Valuations of the two local power plants, one owned by Luminant Generation LCC and the other by AEP Southwestern Electric, will continue to be an area of uncertainty over the next few years. The County does believe that we can continue to balance the annual budget without major tax or expenditure adjustments, as long as the valuations remain reasonable, and at this time we see no reason to believe the valuations won't remain reasonable.

Revenues for 2013 exceeded expenditures by \$559,095. The General Fund fund balance is now \$6,380,687. The 2014 Budget has been adopted with a small tax increase to fund a pay increase for county employees. The County expects to finish 2014 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 2013 was .2694; in 2014 the rate is .2744.

The I & S tax rate for 2013 was .1305; in 2014 the rate is .1408.

The overall tax rate for 2013 was .3999. In 2014 the overall rate is .4152. The rollback rate for 2014 was .4639.

In May of 2006, the citizens of Titus County overwhelmingly 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 project is part of the new State Toll Road Program whereby the local taxing authorities provide the initial monies and the state reimburses at a pre-arranged percentage. The reimbursement occurs over several years once the project is completed. In our case, the state has agreed to pay back about 80% of the total cost of the project. 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 by 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, 2013

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,256,661	\$ 102,662	\$ 8,359,323
Receivables (net of allowance for uncollectibles)	4,419,398	-	4,419,398
Inventories	-	3,283	3,283
Prepaid Items	10,700	269	10,969
Restricted Assets:			
Restricted Cash	48,759,958	-	48,759,958
Capital Assets:			
Land	341,512	-	341,512
Infrastructure, net	5,387,829	-	5,387,829
Buildings, net	6,472,582	-	6,472,582
Machinery and Equipment, net	1,189,719	10,080	1,199,799
Construction in Progress	125,729,119	-	125,729,119
Total Assets	<u>200,567,478</u>	<u>116,294</u>	<u>200,683,772</u>
<b>LIABILITIES</b>			
Accounts Payable	5,102,173	13,874	5,116,047
Due to Other Governments	726,640	-	726,640
Unearned Revenues	69,550	-	69,550
Noncurrent Liabilities			
Due Within One Year	2,512,936	-	2,512,936
Due in More Than One Year	148,390,603	-	148,390,603
Total Liabilities	<u>156,801,902</u>	<u>13,874</u>	<u>156,815,776</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue - Taxes, Fines, & Fees	4,158,733	-	4,158,733
Total Deferred Inflows of Resources	<u>4,158,733</u>	<u>-</u>	<u>4,158,733</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	24,442,307	-	24,442,307
Restricted for:			
Restricted for Debt Service	2,856,995	-	2,856,995
Restricted for Capital Projects	3,831,657	-	3,831,657
Restricted for Special Revenue Funds	1,201,034	-	1,201,034
Unrestricted Net Position	7,274,850	102,420	7,377,270
Total Net Position	<u>\$ 39,606,843</u>	<u>\$ 102,420</u>	<u>\$ 39,709,263</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, 2013

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 1,082,075	\$ 362,734	\$ 15,000
Judicial	1,008,433	850,972	32,343
Legal	511,990	67,648	122,599
Financial	894,983	267,333	-
Public Facility	202,787	4,500	-
Public Safety	4,616,263	342,449	27,005
Health & Welfare	150,396	14,000	-
Highways, Streets, & Bridges	3,111,677	692,836	23,191
Cultural and Recreational	22,271	14,904	-
County Extension	78,596	-	-
Miscellaneous	105,364	-	-
Interest Expense	6,444,193	-	-
Bond Fees	2,154	-	-
Total Governmental Activities:	<u>18,231,182</u>	<u>2,617,376</u>	<u>220,138</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Commissary Store	83,621	142,708	-
Election Fund	230,945	7,011	-
Total Business-Type Activities:	<u>314,566</u>	<u>149,719</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 18,545,748</u>	<u>\$ 2,767,095</u>	<u>\$ 220,138</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Other Taxes

Miscellaneous Revenue

Investment Earnings

Transfers In (Out):

Total General Revenues and Transfers

Change in Net Position

Net Assets - Beginning

Prior Period Adjustment

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
\$ (704,341)	\$ -	\$ (704,341)
(125,118)	-	(125,118)
(321,743)	-	(321,743)
(627,650)	-	(627,650)
(198,287)	-	(198,287)
(4,246,809)	-	(4,246,809)
(136,396)	-	(136,396)
(2,395,650)	-	(2,395,650)
(7,367)	-	(7,367)
(78,596)	-	(78,596)
(105,364)	-	(105,364)
(6,444,193)	-	(6,444,193)
(2,154)	-	(2,154)
<u>(15,393,668)</u>	<u>-</u>	<u>(15,393,668)</u>
-	59,087	59,087
-	(223,934)	(223,934)
-	(164,847)	(164,847)
<u>(15,393,668)</u>	<u>(164,847)</u>	<u>(15,558,515)</u>
6,433,190	-	6,433,190
3,234,160	-	3,234,160
2,387,489	-	2,387,489
211,891	-	211,891
485,264	175	485,439
(147,000)	147,000	-
<u>12,604,994</u>	<u>147,175</u>	<u>12,752,169</u>
(2,788,674)	(17,672)	(2,806,346)
43,133,481	120,092	43,253,573
(737,964)	-	(737,964)
<u>\$ 39,606,843</u>	<u>\$ 102,420</u>	<u>\$ 39,709,263</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TITUS COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General Fund	Major Debt Service Fund	Major Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,506,731	\$ 1,219,243	\$ 40,443,095
Receivables (Net)	4,194,855	120,333	24,317
Prepaid Items	7,100	-	-
Total Assets	<u>\$ 10,708,686</u>	<u>\$ 1,339,576</u>	<u>\$ 40,467,412</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 133,657	\$ -	\$ 4,242,327
Due to Other Governments	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>133,657</u>	<u>-</u>	<u>4,242,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes, Fines, & Fees	4,194,339	120,334	-
Total Inflows of Resources	<u>4,194,339</u>	<u>120,334</u>	<u>-</u>
<b>FUND BALANCES</b>			
Capital Projects	-	-	36,225,085
Retirement of Long-Term Debt Reported in Special Revenue Funds	-	1,219,242	-
Unassigned Fund Balance	6,380,690	-	-
Total Fund Balances	<u>6,380,690</u>	<u>1,219,242</u>	<u>36,225,085</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,708,686</u>	<u>\$ 1,339,576</u>	<u>\$ 40,467,412</u>

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

Other Funds	Total Governmental Funds
\$ 8,181,876	\$ 56,350,945
79,893	4,419,398
3,600	10,700
<u>\$ 8,265,369</u>	<u>\$ 60,781,043</u>
\$ 722,428	\$ 5,098,412
726,640	726,640
69,550	69,550
<u>1,518,618</u>	<u>5,894,602</u>
76,307	4,390,980
<u>76,307</u>	<u>4,390,980</u>
3,831,657	40,056,742
1,637,753	2,856,995
1,201,034	1,201,034
-	6,380,690
<u>6,670,444</u>	<u>50,495,461</u>
<u>\$ 8,265,369</u>	<u>\$ 60,781,043</u>

TITUS COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	50,495,461
<p>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.</p>		
		826,113
<p>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 \$110,820,009 and the accumulated depreciation was \$17,876,299. 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.</p>		
		(60,604,418)
<p>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 2013 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		49,582,213
<p>The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(934,709)
<p>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.</p>		
		242,183
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>39,606,843</b>

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, 2013

	General Fund	Major Debt Service Fund	Major Capital Projects
<b>REVENUES:</b>			
Taxes	\$ 7,269,496	\$ 2,957,774	\$ -
Licenses and Permits	19,744	-	-
Intergovernmental Revenue and Grants	469,694	-	-
Charges for Services	1,364,097	-	-
Fines	-	-	-
Other Revenue	203,089	22,857	197,225
Total Revenues	9,326,120	2,980,631	197,225
<b>EXPENDITURES:</b>			
Current:			
General Government	980,661	-	-
Judicial	880,003	-	-
Legal	347,837	-	-
Financial	951,957	-	-
Public Facility	212,211	-	-
Public Safety	4,435,497	-	-
Health & Welfare	150,396	-	-
Highways, Streets, & Bridges	-	-	59,179
Cultural and Recreational	-	-	-
County Extension	83,308	-	-
Miscellaneous	-	-	-
Debt Service:			
Bond Principal	-	1,255,000	-
Bond Interest	-	1,735,600	-
Bond Fees	-	538	-
Capital Outlay:			
Capital Outlay	278,726	-	46,631,659
Total Expenditures	8,320,596	2,991,138	46,690,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,005,524	(10,507)	(46,493,613)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	35,531	141,063	-
Sale of Assets	20,701	-	-
Transfers Out	(502,663)	-	(5,745,508)
Total Other Financing Sources (Uses)	(446,431)	141,063	(5,745,508)
Net Change in Fund Balances	559,093	130,556	(52,239,121)
Fund Balance - October 1 (Beginning)	5,821,597	1,088,686	88,464,206
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ 6,380,690	\$ 1,219,242	\$ 36,225,085

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

Other Funds	Total Governmental Funds
\$ 1,878,444	\$ 12,105,714
692,835	712,579
163,611	633,305
178,199	1,542,296
68,130	68,130
118,764	541,935
<u>3,099,983</u>	<u>15,603,959</u>
-	980,661
180,264	1,060,267
187,714	535,551
-	951,957
-	212,211
140,809	4,576,306
-	150,396
2,501,399	2,560,578
22,271	22,271
-	83,308
105,364	105,364
1,173,927	2,428,927
4,718,529	6,454,129
1,614	2,152
<u>130,727</u>	<u>47,041,112</u>
<u>9,162,618</u>	<u>67,165,190</u>
<u>(6,062,635)</u>	<u>(51,561,231)</u>
5,810,108	5,986,702
15,723	36,424
<u>(135,531)</u>	<u>(6,383,702)</u>
<u>5,690,300</u>	<u>(360,576)</u>
<u>(372,335)</u>	<u>(51,921,807)</u>
7,892,919	103,267,408
<u>(850,140)</u>	<u>(850,140)</u>
<u>\$ 6,670,444</u>	<u>\$ 50,495,461</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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(51,921,807)
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.	638,744	
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 2013 capital outlays and debt principal payments is to increase (decrease) the change in net position.	49,470,037	
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.	(934,709)	
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.	(40,939)	
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(2,788,674)</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, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 6,441,645	\$ 6,941,645	\$ 7,269,496	\$ 327,851
Licenses and Permits	8,400	13,400	19,744	6,344
Intergovernmental Revenue and Grants	305,600	449,581	469,694	20,113
Charges for Services	1,506,500	1,506,500	1,364,097	(142,403)
Other Revenue	155,000	155,000	203,089	48,089
Total Revenues	<u>8,417,145</u>	<u>9,066,126</u>	<u>9,326,120</u>	<u>259,994</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,182,479	1,172,134	980,661	191,473
Judicial	805,103	882,103	880,003	2,100
Legal	195,045	348,140	347,837	303
Financial	965,773	998,748	951,957	46,791
Public Facility	221,171	227,671	212,211	15,460
Public Safety	4,743,507	4,759,065	4,435,497	323,568
Health & Welfare	142,865	151,655	150,396	1,259
County Extension	84,292	84,292	83,308	984
Capital Outlay:				
Capital Outlay	137,000	303,145	278,726	24,419
Total Expenditures	<u>8,477,235</u>	<u>8,926,953</u>	<u>8,320,596</u>	<u>606,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,090)</u>	<u>139,173</u>	<u>1,005,524</u>	<u>866,351</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	35,531	35,531	-
Sale of Assets	-	-	20,701	20,701
Transfers Out	(499,000)	(502,663)	(502,663)	-
Total Other Financing Sources (Uses)	<u>(499,000)</u>	<u>(467,132)</u>	<u>(446,431)</u>	<u>20,701</u>
Net Change	(559,090)	(327,959)	559,093	887,052
Fund Balance - October 1 (Beginning)	5,821,597	5,821,597	5,821,597	-
Fund Balance - September 30 (Ending)	<u>\$ 5,262,507</u>	<u>\$ 5,493,638</u>	<u>\$ 6,380,690</u>	<u>\$ 887,052</u>

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, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 102,662	\$ 665,674
Inventories	3,283	-
Prepaid Items	269	-
Total Current Assets	106,214	665,674
<b>Noncurrent Assets:</b>		
Capital Assets:		
Land Purchase and Improvements	-	79,790
Buildings	-	151,858
Accumulated Depreciation - Buildings	-	(73,819)
Improvements other than Buildings	-	4,994
Accumulated Depreciation - Other Improvements	-	(4,994)
Machinery and Equipment	332,654	118,603
Accumulated Depreciation - Machinery & Equipment	(322,574)	(112,232)
Total Noncurrent Assets	10,080	164,200
Total Assets	116,294	829,874
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	13,874	3,761
Total Liabilities	13,874	3,761
<b>NET POSITION</b>		
Unrestricted Net Position	102,420	826,113
Total Net Position	\$ 102,420	\$ 826,113

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, 2013

EXHIBIT D-2

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Charges for Services	\$ 149,719	\$ 1,401,769
Other Revenue	175	260
Total Operating Revenues	149,894	1,402,029
<b>OPERATING EXPENSES:</b>		
Highways, streets, and bridges	-	170,967
Insurance coverage and medical claims	-	839,283
Public Safety	83,621	-
Elections	198,509	-
Depreciation	32,436	3,035
Total Operating Expenses	314,566	1,013,285
Income (Loss) Before Transfers	(164,672)	388,744
Non-Operating Transfer In	225,000	250,000
Transfers Out	(78,000)	-
Change in Net Position	(17,672)	638,744
Total Net Position -October 1 (Beginning)	120,092	187,369
 Total Net Position September 30 (Ending)	 \$ 102,420	 \$ 826,113

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, 2013

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash contributed by employee/employer/stop loss	\$ -	\$ 1,368,143
Cash received from customers	179,678	33,886
Cash payments to suppliers for goods & services	(117,070)	(49,968)
Cash payments to employees for services	(104,620)	(88,005)
Cash payments for benefits	(46,443)	(903,454)
Net Cash Provided by (Used for) Operating Activities	<u>(88,455)</u>	<u>360,602</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Decrease in Due from other funds	-	389,800
Operating Transfer In/(Out)	147,000	250,000
Net Cash Provided by Non-Capital Financing Activities	<u>147,000</u>	<u>639,800</u>
<u>Cash Flows from Capital &amp; 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	58,545	1,000,402
Cash and Cash Equivalents at Beginning of the Year:	44,116	(334,728)
Cash and Cash Equivalents at the End of the Year:	<u>\$ 102,661</u>	<u>\$ 665,674</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ (164,672)	\$ 388,744
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	32,436	3,035
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	29,784	-
Decrease (increase) in Inventories	123	-
Increase (decrease) in Accounts Payable	13,874	(31,177)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (88,455)</u>	<u>\$ 360,602</u>

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

FIDUCIARY FUND FINANCIAL STATEMENT

Titus County, Texas  
STATEMENT OF NET POSITION--FIDUCIARY FUND  
as of September 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>3,533,391</u>
LIABILITIES	
District Court cases payable/pending	3,002,552
County Clerk cash bonds	130,839
Bail Bond Board deposits	<u>400,000</u>
	<u>3,533,391</u>

The accompanying notes are an integral part of this statement.



Titus County, Texas  
NOTES TO THE FINANCIAL STATEMENTS  
At September 30, 2013

**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 Assets 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	79,097,459	-	79,097,459	
Buildings and Improvements	10,962,752	4,449,968	6,512,784	
Machinery and Equipment	5,553,076	4,167,847	1,385,229	
County Roads & Bridges	14,945,000	9,258,484	5,686,516	
Change in Net Position	<u>110,820,009</u>	<u>17,876,299</u>	<u>92,943,710</u>	<u>92,943,710</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	153,333,475	
Notes Payable	214,653	
Change in Net Position		<u>153,548,128</u>
Net Adjustment to Net Position		<u>(60,604,418)</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	46,631,660	46,631,660	46,631,660
Building and improvement	150,144	150,144	150,144
Machinery and equipment	259,306	259,306	259,306
Total Capital Outlay	<u>47,041,110</u>	<u>47,041,110</u>	<u>47,041,110</u>
Book value of assets sold or traded	<u>93,550</u>	<u>(93,550)</u>	<u>(93,550)</u>
Gain on disposition of assets	<u>112,176</u>	<u>(112,176)</u>	<u>-</u>
<u>Debt Principal Payments</u>			
Certificate of obligation	2,420,000	2,420,000	2,420,000
Note principal	214,653	214,653	214,653
Total Principal Payments	<u>2,634,653</u>	<u>2,634,653</u>	<u>2,634,653</u>
Total Adjustments to Net Position		<u><u>49,470,037</u></u>	<u><u>49,582,213</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	131,193	(131,193)	-
Uncollected taxes (assumed collectible) from Current Year Levy	123,621	123,621	123,621
Uncollected Taxes (assumed collectible) from Prior Year Levy	108,626	-	108,626
Effect of prior year tax entry	43,303	(43,303)	-
<u>Reclassify Proceeds of Bonds, Loans, and Capital Leases</u>			
Amortization of Bond Premium	9,936	9,936	9,936
Total		<u><u>(40,939)</u></u>	<u><u>242,183</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, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$36,628,462 and the bank balance was \$35,916,834. The County's cash deposits at September 30, 2013 and during the year ended September 30, 2013 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, 2013:

- a. Depository: Guaranty Bond Bank
  - b. The market value of securities pledged as of September 30, 2013 was \$36,795,515.
  - c. The combined balances of cash, savings, and time deposits amounted to \$35,626,840 at September 30, 2013.
  - d. Total amount of FDIC coverage at September 30, 2013 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 investments in external investment pools. The rating of the pool is disclosed below.

The County’s investments at September 30, 2013, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Quality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
GB Financial	25,965,386	N/A	N/A

The investments at GB Financial are in governmental securities and money market type accounts.

**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	27,663
Major Capital Projects Fund	5,745,508
Enterprise Funds	78,000
Total	<u>5,851,171</u>

Transfers to Internal Service Funds from:

General Fund	250,000
Total	<u>250,000</u>

Transfers to Enterprise Funds from:

General Fund	225,000
Total	<u>225,000</u>

Transfers to General Fund from:

Non-major Governmental Funds	35,531
Total	<u>35,531</u>

There were no due to's/from's between funds at September 30, 2013.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2013, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Intergover- nmental</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	220,602	7,909,679	-	-	8,130,281
Major Debt Service Fund	133,705	-	-	-	133,705
Major Capital Project Fund	-	-	-	24,317	24,317
Non-major Governmental Funds	84,787	-	3,586	-	88,373
Internal Service Funds	-	-	-	-	-
Total-Governmental Activities	<u>439,094</u>	<u>7,909,679</u>	<u>3,586</u>	<u>24,317</u>	<u>8,376,676</u>
Amount not scheduled for collection during the subsequent year	<u>43,913</u>	<u>3,913,365</u>	<u>-</u>	<u>-</u>	<u>3,957,278</u>
<b>Proprietary Activities:</b>					
Non-major Proprietary Funds	-	-	-	-	-
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Payables at September 30, 2013, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	68,990	-	8,291	56,376	133,657
Major Capital Project Fund	4,242,327	-	-	-	4,242,327
Non-major Governmental Funds	56,912	-	726,640	665,516	1,449,068
Internal Service Funds	3,761	-	-	-	3,761
Total-Governmental Activities	<u>4,371,990</u>	<u>-</u>	<u>734,931</u>	<u>721,892</u>	<u>5,828,813</u>
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Proprietary Activities:</b>					
Non-major Proprietary Funds	13,874	-	-	-	13,874
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**F. CAPITAL ASSET ACTIVITY**

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

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Adjustments	
<b>Governmental Activities:</b>					
District:					
Land	341,512	-	-	-	341,512
Loop Construction in Progress	79,097,459	46,631,660	-	-	125,729,119
Buildings and Improvements	11,119,604	150,144	-	-	11,269,748
Machinery and Equipment	5,671,679	259,306	(198,764)	(228,341)	5,503,880
County Roads and Bridges	14,945,000	-	-	-	14,945,000
<b>Totals at Historic Cost</b>	<b>111,175,254</b>	<b>47,041,110</b>	<b>(198,764)</b>	<b>(228,341)</b>	<b>157,789,259</b>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(4,525,746)	(271,420)	-	-	(4,797,166)
Machinery and Equipment	(4,280,079)	(367,637)	198,764	134,791	(4,314,161)
Roads	(9,258,484)	(298,687)	-	-	(9,557,171)
<b>Total Accumulated Depreciation</b>	<b>(18,064,309)</b>	<b>(937,744)</b>	<b>198,764</b>	<b>134,791</b>	<b>(18,668,498)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>93,110,945</b>	<b>46,103,366</b>	<b>-</b>	<b>(93,550)</b>	<b>139,120,761</b>
<b>Business-type Activities:</b>					
Furniture and Equipment	331,169	-	-	-	331,169
<b>Less Accumulated Depreciation</b>					
Furniture and Equipment	(288,652)	(32,436)	-	-	(321,088)
<b>Business-type Activities Capital Asstes, Net:</b>	<b>42,517</b>	<b>(32,436)</b>	<b>-</b>	<b>-</b>	<b>10,081</b>

Depreciation expense was charged to proprietary activities functions as follows:

Elections \$32,436

Depreciation expense was charged to governmental functions as follows:

General government	130,115
Public Safety	293,128
Highways, streets, and bridges	514,501
<b>Total Depreciation Expense</b>	<b>937,744</b>

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, 2013.

<u>Description</u>	<u>Interest Rate</u>	<u>Payable at 10/1/2012</u>	<u>Additions (Reductions)</u>	<u>Payable at 9/30/2013</u>	<u>Due within one year</u>
Unlimited Tax and Pass-Through					
Toll Revenue Bonds--Series 2007	4-5%	26,995,000	(950,000)	26,045,000	985,000
Bond Premium--Series 2007		34,380	(1,809)	32,571	1,809
Unlimited Tax and Pass-Through	2.5%				
Toll Revenue Bonds--Series 2009	2.5-5%	39,000,000	(1,255,000)	37,745,000	1,295,000
Bond Premium--Series 2009		162,533	(8,127)	154,406	8,127
Lease Payable--Equipment (PCT 3)	4.25%	8,927	(8,927)	-	-
Lease Payable--Equipment (PCT 1)	5.75%	205,726	(205,726)	-	-
Limited Tax Refunding Bonds-					
Series 2011	3.24%	1,665,000	(215,000)	1,450,000	223,000
Unlimited Tax and Pass-Through					
Toll Revenue Bonds-Series 2012-A	3-5%	36,680,000	-	36,680,000	-
Bond Premium-Series 2012-A		3,309,204	-	3,309,204	-
Pass-Through Toll Revenue and					
Limited Tax Bonds-Series 2012-B	3-5%	44,345,000	-	44,345,000	-
Bond Premium-Series 2012-B		1,142,358	-	1,142,358	-
		<u>153,548,128</u>	<u>(2,644,589)</u>	<u>150,903,539</u>	<u>2,512,936</u>

The debt service fund long-term debt as of September 30, 2013, follows:

(A) Unlimited Tax and Pass-Through Toll Revenue Bonds	26,045,000
Due in annual installments with interest at 4.00%-4.50%	
(B) Unamortized Bond Premium	32,571
(C) Unlimited Tax and Pass-Through Toll Revenue Bonds	37,745,000
Due in annual installments with interest at 2.5%-5.00%	
(D) Unamortized Bond Premium	154,406
(E) Limited Tax Refunding Bond, Series 2011	1,450,000
Due in annual installments with interest at 3.24%	
(F) Unlimited Tax and Pass-Through Toll Revenue Bonds Series 2012-A	
Due in annual installments with interest at 3-5%.	36,680,000
(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>150,903,539</u>

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

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2013, follows:

Year Ended September 30	General Obligations		Total Requirements
	Principal	Interest	
2014	2,503,000	6,373,324	8,876,324
2015	4,705,000	6,241,760	10,946,760
2016	4,882,000	6,059,970	10,941,970
2017	5,070,000	5,859,461	10,929,461
2018	5,258,000	5,669,695	10,927,695
2019-2023	29,837,000	25,081,454	54,918,454
2024-2028	36,865,000	17,829,935	54,694,935
2029-2033	46,465,000	8,293,262	54,758,262
2034	10,680,000	251,225	10,931,225
	<u>146,265,000</u>	<u>81,660,086</u>	<u>227,925,086</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, 2013 is \$1,446,000.

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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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 9.99% for the months of the accounting year in 2012, and 10.5% for the months of the accounting year in 2013.

The deposit rate payable by the employee members for calendar year 2012 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$477,911 and the actual contributions were \$519,754.

1. Annual required contributions (ARC)	519,754
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	519,754
5. Contributions made	519,754
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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

### Actuarial Valuation Information

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

#### Actuarial Assumptions:

Investment return <sup>1</sup>	8.00%	8.00%	8.00%
Projected salary increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

**H. RETIREMENT PLAN (continued)**

1Includes 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>
2011	469,305	100%	-
2012	477,911	100%	-
2013	519,754	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>
12/31/10	14,133,202	15,306,008	1,172,806	92.34%	4,923,252	23.82%
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%

(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**

The loan that had been made has now been paid in full. So no loans are outstanding and none are expected to be made. The County returned \$135 thousand to the state grant agency to get into compliance with their requirements. No new loans are expected to be made. \$727 thousand of cash is in this fund at September 30, 2013. 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 2013, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**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, 2013, 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 Alliance Underwriters, 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 \$1,250,000.

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

	Year Ended September 30, 2012	Year Ended September 30, 2013
Unpaid claims, beginning of the year	-	-
Incurred claims (including IBNR'S)	1,609,486	270,397
Claim Payments	1,609,486	270,397
Unpaid claims, end of fiscal year	-	-

**N. COMMITMENTS AND CONTINGENCIES**

The County has no significant commitments or contingencies at September 30, 2013.

**O. LITIGATION**

The County has no pending litigation at September 30, 2013.

**P. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 21, 2014, the financial statement issuance date.

**Q. PRIOR PERIOD ADJUSTMENT**

Prior period adjustments are posted to both the beginning net position on the government wide statements and to the beginning fund balance on the governmental fund financial statements. These are on three non-major governmental funds that are special revenue funds. Road & Bridge #1 reflects a decrease to beginning fund balance related to a prepaid expense from the prior year. The Texas Capital Fund Escrow reflects a decrease to beginning fund balance of \$849,022 to reflect amounts either paid or payable back to the State as no more loans are anticipated being made. The Sheriff Seized Fund reflects an increase of \$82 to beginning fund balance related to a decrease in accounts payable from the prior year. These are all posted to the government wide and governmental fund financial statements. One prior period adjustment related to disposition of equipment is reported only on the government wide statements. This was posted as a \$112,176 increase to beginning net position.



## COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

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

	Security Fees Fund	Jury Fund	Law Library	BVP Grant
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 88,982	\$ 78,679	\$ 42,015	\$ (3,586)
Receivables (Net)	-	6,362	-	3,586
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 88,982</u>	<u>\$ 85,041</u>	<u>\$ 42,015</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 6,611	\$ 1,079	\$ -
Due to Other Governments	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>6,611</u>	<u>1,079</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes, Fines, & Fees	-	6,362	-	-
Total Inflows of Resources	<u>-</u>	<u>6,362</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	88,982	72,068	40,936	-
Total Fund Balances	<u>88,982</u>	<u>72,068</u>	<u>40,936</u>	<u>-</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 88,982</u>	<u>\$ 85,041</u>	<u>\$ 42,015</u>	<u>\$ -</u>

Road & Bridge #1	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
\$ 82,506	\$ 12,777	\$ 34,681	\$ 97,651	\$ 21,483	\$ 16,514	\$ 4,267	\$ 116
14,661	14,661	14,661	14,660	-	-	-	-
-	1,200	1,200	1,200	-	-	-	-
<u>\$ 97,167</u>	<u>\$ 28,638</u>	<u>\$ 50,542</u>	<u>\$ 113,511</u>	<u>\$ 21,483</u>	<u>\$ 16,514</u>	<u>\$ 4,267</u>	<u>\$ 116</u>
\$ 23,864	\$ 4,684	\$ 10,609	\$ 108	\$ -	\$ -	\$ 654	\$ -
-	-	-	-	-	-	-	-
-	14,786	-	-	-	-	-	-
<u>23,864</u>	<u>19,470</u>	<u>10,609</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>654</u>	<u>-</u>
14,661	14,661	14,661	14,660	-	-	-	-
<u>14,661</u>	<u>14,661</u>	<u>14,661</u>	<u>14,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
58,642	(5,493)	25,272	98,743	21,483	16,514	3,613	116
<u>58,642</u>	<u>(5,493)</u>	<u>25,272</u>	<u>98,743</u>	<u>21,483</u>	<u>16,514</u>	<u>3,613</u>	<u>116</u>
<u>\$ 97,167</u>	<u>\$ 28,638</u>	<u>\$ 50,542</u>	<u>\$ 113,511</u>	<u>\$ 21,483</u>	<u>\$ 16,514</u>	<u>\$ 4,267</u>	<u>\$ 116</u>

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

	District Clerk Tech Fund	Victim of Crime	County Clerk R&M	District Clerk R&M
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,775	\$ 132,648	\$ 79,640	\$ 5,982
Receivables (Net)	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 2,775</u>	<u>\$ 132,648</u>	<u>\$ 79,640</u>	<u>\$ 5,982</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 77,884	\$ -	\$ -
Due to Other Governments	-	-	-	-
Unearned Revenues	-	54,764	-	-
Total Liabilities	<u>-</u>	<u>132,648</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes, Fines, & Fees	-	-	-	-
Total Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	2,775	-	79,640	5,982
Total Fund Balances	<u>2,775</u>	<u>-</u>	<u>79,640</u>	<u>5,982</u>
Total Liabilities, Deferred Inflows &	<u>\$ 2,775</u>	<u>\$ 132,648</u>	<u>\$ 79,640</u>	<u>\$ 5,982</u>

District Attorney	County Attorney	District Clerk Record Pres.	Vehicle Inventory Tax	Family & Protective Services	Texas Capital Fund Escrow	Sheriff Seized	District Attorney Seized
\$ 2,473	\$ 585	\$ 3,995	\$ 149,080	\$ -	\$ 726,640	\$ 48,460	\$ 395,502
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,473</u>	<u>\$ 585</u>	<u>\$ 3,995</u>	<u>\$ 149,080</u>	<u>\$ -</u>	<u>\$ 726,640</u>	<u>\$ 48,460</u>	<u>\$ 395,502</u>
\$ -	\$ 1,052	\$ -	\$ 143,770	\$ -	\$ -	\$ 48,460	\$ 395,502
-	-	-	-	-	726,640	-	-
-	-	-	-	-	-	-	-
-	1,052	-	143,770	-	726,640	48,460	395,502
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,473	(467)	3,995	5,310	-	-	-	-
<u>2,473</u>	<u>(467)</u>	<u>3,995</u>	<u>5,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,473</u>	<u>\$ 585</u>	<u>\$ 3,995</u>	<u>\$ 149,080</u>	<u>\$ -</u>	<u>\$ 726,640</u>	<u>\$ 48,460</u>	<u>\$ 395,502</u>

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

	District Attorney Drug Forf.	Sheriff Forfeiture Fund	Customs & Border Protection	State Criminal Alien Assist.
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 547,527	\$ 19,696	\$ -	\$ 6,638
Receivables (Net)	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 547,527</u>	<u>\$ 19,696</u>	<u>\$ -</u>	<u>\$ 6,638</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 323	\$ -	\$ -	\$ 185
Due to Other Governments	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>323</u>	<u>-</u>	<u>-</u>	<u>185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes, Fines, & Fees	-	-	-	-
Total Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Reported in Special Revenue Funds	547,204	19,696	-	6,453
Total Fund Balances	<u>547,204</u>	<u>19,696</u>	<u>-</u>	<u>6,453</u>
Total Liabilities, Deferred Inflows &	<u>\$ 547,527</u>	<u>\$ 19,696</u>	<u>\$ -</u>	<u>\$ 6,638</u>

Sheriff Commissary	ATCOG Grant Mobile Computer	Juvenile Board	Pre-Trial Intervention	County & District Court Tech.	Indigent Defense	Vital Statistics	County Clerk Archive
\$ 20,234	\$ -	\$ 802	\$ 30,347	\$ 4,179	\$ 15,442	\$ 5,648	\$ 35,015
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 20,234</u>	<u>\$ -</u>	<u>\$ 802</u>	<u>\$ 30,347</u>	<u>\$ 4,179</u>	<u>\$ 15,442</u>	<u>\$ 5,648</u>	<u>\$ 35,015</u>
\$ 4,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,664	-	802	30,347	4,179	15,442	5,648	35,015
<u>15,664</u>	<u>-</u>	<u>802</u>	<u>30,347</u>	<u>4,179</u>	<u>15,442</u>	<u>5,648</u>	<u>35,015</u>
<u>\$ 20,234</u>	<u>\$ -</u>	<u>\$ 802</u>	<u>\$ 30,347</u>	<u>\$ 4,179</u>	<u>\$ 15,442</u>	<u>\$ 5,648</u>	<u>\$ 35,015</u>



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

	Total Nonmajor Special Revenue Funds	2011 Bond I&S	2012A Bond I&S	2007 Loop Bond
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,709,393	\$ 103,543	\$ 10,121	\$ 1,514,182
Receivables (Net)	68,591	11,302	-	-
Prepaid Items	3,600	-	-	-
Total Assets	<u>\$ 2,781,584</u>	<u>\$ 114,845</u>	<u>\$ 10,121</u>	<u>\$ 1,514,182</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 719,355	\$ -	\$ -	\$ -
Due to Other Governments	726,640	-	-	-
Unearned Revenues	69,550	-	-	-
Total Liabilities	<u>1,515,545</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes, Fines, & Fees	65,005	11,302	-	-
Total Inflows of Resources	<u>65,005</u>	<u>11,302</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Capital Projects	-	-	-	-
Retirement of Long-Term Debt	-	103,543	10,121	1,514,182
Reported in Special Revenue Funds	1,201,034	-	-	-
Total Fund Balances	<u>1,201,034</u>	<u>103,543</u>	<u>10,121</u>	<u>1,514,182</u>
Total Liabilities, Deferred Inflows &	<u>\$ 2,781,584</u>	<u>\$ 114,845</u>	<u>\$ 10,121</u>	<u>\$ 1,514,182</u>

2012B Bond I&S	Total Nonmajor Debt Service Funds	Titus County Bell Tower	2004 ROW Cap. Proj.	Total Nonmajor Governmental Funds
\$ 9,907	\$ 1,637,753	\$ 4,091	\$ 3,830,639	\$ 8,181,876
-	11,302	-	-	79,893
-	-	-	-	3,600
<u>\$ 9,907</u>	<u>\$ 1,649,055</u>	<u>\$ 4,091</u>	<u>\$ 3,830,639</u>	<u>\$ 8,265,369</u>
\$ -	\$ -	\$ -	\$ 3,073	\$ 722,428
-	-	-	-	726,640
-	-	-	-	69,550
-	-	-	3,073	1,518,618
-	11,302	-	-	76,307
-	11,302	-	-	76,307
-	-	4,091	3,827,566	3,831,657
9,907	1,637,753	-	-	1,637,753
-	-	-	-	1,201,034
<u>9,907</u>	<u>1,637,753</u>	<u>4,091</u>	<u>3,827,566</u>	<u>6,670,444</u>
<u>\$ 9,907</u>	<u>\$ 1,649,055</u>	<u>\$ 4,091</u>	<u>\$ 3,830,639</u>	<u>\$ 8,265,369</u>

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

	Security Fees Fund	Jury Fund	Law Library	BVP Grant
<b>REVENUES:</b>				
Taxes	\$ -	\$ 156,492	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	7,166	-	3,586
Charges for Services	17,635	6,990	16,720	-
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	17,635	170,648	16,720	3,586
<b>EXPENDITURES:</b>				
Current:				
Judicial	-	150,115	18,834	-
Legal	-	-	-	-
Public Safety	29,129	-	-	7,249
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	29,129	150,115	18,834	7,249
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,494)	20,533	(2,114)	(3,663)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	19,000	3,663
Sale of Assets	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	19,000	3,663
Net Change in Fund Balance	(11,494)	20,533	16,886	-
Fund Balance - October 1 (Beginning)	100,476	51,535	24,050	-
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 88,982	\$ 72,068	\$ 40,936	\$ -

Road & Bridge #1	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
\$ 360,597	\$ 360,597	\$ 360,597	\$ 360,597	\$ -	\$ -	\$ -	\$ -
173,209	173,209	173,209	173,208	-	-	-	-
12,386	12,386	12,386	12,386	-	-	-	-
-	-	-	-	6,879	4,049	14,904	-
-	-	-	-	-	-	-	-
52	-	-	-	-	-	-	-
<u>546,244</u>	<u>546,192</u>	<u>546,192</u>	<u>546,191</u>	<u>6,879</u>	<u>4,049</u>	<u>14,904</u>	-
-	-	-	-	9,773	1,542	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
580,179	584,299	559,385	513,532	-	-	-	-
-	-	-	-	-	-	21,948	-
-	-	-	-	-	-	-	-
-	-	8,927	-	-	-	-	-
-	-	256	-	-	-	-	-
-	-	-	-	-	-	-	-
97,500	28,227	5,000	-	-	-	-	-
<u>677,679</u>	<u>612,526</u>	<u>573,568</u>	<u>513,532</u>	<u>9,773</u>	<u>1,542</u>	<u>21,948</u>	-
<u>(131,435)</u>	<u>(66,334)</u>	<u>(27,376)</u>	<u>32,659</u>	<u>(2,894)</u>	<u>2,507</u>	<u>(7,044)</u>	-
-	-	-	-	-	-	5,000	-
-	3,271	-	5,000	-	-	-	-
-	-	-	(100,000)	-	-	-	-
-	3,271	-	(95,000)	-	-	5,000	-
(131,435)	(63,063)	(27,376)	(62,341)	(2,894)	2,507	(2,044)	-
191,277	57,570	52,648	161,084	24,377	14,007	5,657	116
(1,200)	-	-	-	-	-	-	-
<u>\$ 58,642</u>	<u>\$ (5,493)</u>	<u>\$ 25,272</u>	<u>\$ 98,743</u>	<u>\$ 21,483</u>	<u>\$ 16,514</u>	<u>\$ 3,613</u>	<u>\$ 116</u>

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

	District Clerk Tech Fund	Victim of Crime	County Clerk R&M	District Clerk R&M
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	2,550	-	28,908	2,972
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	2,550	-	28,908	2,972
<b>EXPENDITURES:</b>				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	-
Public Safety	-	-	-	-
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	86,643	13,080
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	86,643	13,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,550	-	(57,735)	(10,108)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Sale of Assets	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	2,550	-	(57,735)	(10,108)
Fund Balance - October 1 (Beginning)	225	-	137,375	16,090
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 2,775	\$ -	\$ 79,640	\$ 5,982

District Attorney	County Attorney	District Clerk Record Pres.	Vehicle Inventory Tax	Family & Protective Services	Texas Capital Fund Escrow	Sheriff Seized	District Attorney Seized
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	2,111	-	-	-
225	10,655	3,720	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,056	-	-	-	-
<u>225</u>	<u>10,655</u>	<u>3,720</u>	<u>1,056</u>	<u>2,111</u>	-	-	-
-	-	-	-	-	-	-	-
408	-	-	-	-	-	-	-
-	-	-	-	2,111	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,111</u>	-	-	-
<u>(183)</u>	<u>10,655</u>	<u>3,720</u>	<u>1,056</u>	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(11,531)	-	-	-	-	-	-
-	<u>(11,531)</u>	-	-	-	-	-	-
(183)	(876)	3,720	1,056	-	-	-	-
2,656	409	275	4,254	-	849,022	(82)	-
-	-	-	-	-	(849,022)	82	-
<u>\$ 2,473</u>	<u>\$ (467)</u>	<u>\$ 3,995</u>	<u>\$ 5,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	District Attorney Drug Forf.	Sheriff Forfeiture Fund	Customs & Border Protection	State Criminal Alien Assist.
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	16	8,575
Charges for Services	-	-	-	-
Fines	56,768	11,362	-	-
Other Revenue	6,119	97	-	-
Total Revenues	62,887	11,459	16	8,575
<b>EXPENDITURES:</b>				
Current:				
Judicial	-	-	-	-
Legal	100,441	-	-	-
Public Safety	-	8,456	16	9,621
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	100,441	8,456	16	9,621
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,554)	3,003	-	(1,046)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Sale of Assets	-	7,452	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	7,452	-	-
Net Change in Fund Balance	(37,554)	10,455	-	(1,046)
Fund Balance - October 1 (Beginning)	584,758	9,241	-	7,499
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 547,204	\$ 19,696	\$ -	\$ 6,453

Sheriff Commissary	ATCOG Grant Mobile Computer	Juvenile Board	Pre-Trial Intervention	County & District Court Tech.	Indigent Defense	Vital Statistics	County Clerk Archive
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	11,584	81,029	-	-	-	-	-
-	-	-	30,575	1,577	-	2,765	27,075
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	11,584	81,029	30,575	1,577	-	2,765	27,075
-	-	-	-	-	-	-	-
-	-	86,865	-	-	-	-	-
72,643	11,584	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	947	-	-	4,694
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
72,643	11,584	86,865	-	947	-	-	4,694
(72,643)	-	(5,836)	30,575	630	-	2,765	22,381
78,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(24,000)	-	-	-	-
78,000	-	-	(24,000)	-	-	-	-
5,357	-	(5,836)	6,575	630	-	2,765	22,381
10,307	-	6,638	23,772	3,549	15,442	2,883	12,634
-	-	-	-	-	-	-	-
\$ 15,664	\$ -	\$ 802	\$ 30,347	\$ 4,179	\$ 15,442	\$ 5,648	\$ 35,015



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

	Total Nonmajor Special Revenue Funds	2011 Bond I&S	2012A Bond I&S	2007 Loop Bond
<b>REVENUES:</b>				
Taxes	\$ 1,598,880	\$ 277,980	\$ -	\$ 1,584
Licenses and Permits	692,835	-	-	-
Intergovernmental Revenue and Grants	163,611	-	-	-
Charges for Services	178,199	-	-	-
Fines	68,130	-	-	-
Other Revenue	7,324	1,643	9,659	25,549
Total Revenues	<u>2,708,979</u>	<u>279,623</u>	<u>9,659</u>	<u>27,133</u>
<b>EXPENDITURES:</b>				
Current:				
Judicial	180,264	-	-	-
Legal	187,714	-	-	-
Public Safety	140,809	-	-	-
Highways, Streets, & Bridges	2,237,395	-	-	-
Cultural and Recreational	21,948	-	-	-
Miscellaneous	105,364	-	-	-
Debt Service:				
Bond Principal	8,927	215,000	-	950,000
Bond Interest	256	49,829	1,761,200	1,185,231
Bond Fees	-	-	538	538
Capital Outlay:				
Capital Outlay	130,727	-	-	-
Total Expenditures	<u>3,013,404</u>	<u>264,829</u>	<u>1,761,738</u>	<u>2,135,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(304,425)</u>	<u>14,794</u>	<u>(1,752,079)</u>	<u>(2,108,636)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	105,663	-	1,761,200	2,121,232
Sale of Assets	15,723	-	-	-
Transfers Out	(135,531)	-	-	-
Total Other Financing Sources (Uses)	<u>(14,145)</u>	<u>-</u>	<u>1,761,200</u>	<u>2,121,232</u>
Net Change in Fund Balance	(318,570)	14,794	9,121	12,596
Fund Balance - October 1 (Beginning)	2,369,744	88,749	1,000	1,501,586
Prior Period Adjustment	(850,140)	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 1,201,034</u>	<u>\$ 103,543</u>	<u>\$ 10,121</u>	<u>\$ 1,514,182</u>

2012B Bond I&S	Total Nonmajor Debt Service Funds	Titus County Bell Tower	2004 ROW Cap. Proj.	Total Nonmajor Governmental Funds
\$ -	\$ 279,564	\$ -	\$ -	\$ 1,878,444
-	-	-	-	692,835
-	-	-	-	163,611
-	-	-	-	178,199
-	-	-	-	68,130
9,444	46,295	550	64,595	118,764
<u>9,444</u>	<u>325,859</u>	<u>550</u>	<u>64,595</u>	<u>3,099,983</u>
-	-	-	-	180,264
-	-	-	-	187,714
-	-	-	-	140,809
-	-	-	264,004	2,501,399
-	-	323	-	22,271
-	-	-	-	105,364
-	1,165,000	-	-	1,173,927
1,722,013	4,718,273	-	-	4,718,529
538	1,614	-	-	1,614
-	-	-	-	130,727
<u>1,722,551</u>	<u>5,884,887</u>	<u>323</u>	<u>264,004</u>	<u>9,162,618</u>
<u>(1,713,107)</u>	<u>(5,559,028)</u>	<u>227</u>	<u>(199,409)</u>	<u>(6,062,635)</u>
1,722,013	5,604,445	-	100,000	5,810,108
-	-	-	-	15,723
-	-	-	-	(135,531)
<u>1,722,013</u>	<u>5,604,445</u>	<u>-</u>	<u>100,000</u>	<u>5,690,300</u>
8,906	45,417	227	(99,409)	(372,335)
1,001	1,592,336	3,864	3,926,975	7,892,919
-	-	-	-	(850,140)
<u>\$ 9,907</u>	<u>\$ 1,637,753</u>	<u>\$ 4,091</u>	<u>\$ 3,827,566</u>	<u>\$ 6,670,444</u>

INTERNAL SERVICE FUNDS

TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2013

EXHIBIT G-1

	Maintenance Building	Insurance Fund	Total Internal Service Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 11,814	\$ 653,860	\$ 665,674
Total Current Assets	<u>11,814</u>	<u>653,860</u>	<u>665,674</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Land Purchase and Improvements	79,790	-	79,790
Buildings	151,858	-	151,858
Accumulated Depreciation - Buildings	(73,819)	-	(73,819)
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	(112,232)	-	(112,232)
Total Noncurrent Assets	<u>164,200</u>	<u>-</u>	<u>164,200</u>
Total Assets	<u>176,014</u>	<u>653,860</u>	<u>829,874</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	3,761	-	3,761
Total Liabilities	<u>3,761</u>	<u>-</u>	<u>3,761</u>
<b>NET POSITION</b>			
Unrestricted Net Position	172,253	653,860	826,113
Total Net Position	<u>\$ 172,253</u>	<u>\$ 653,860</u>	<u>\$ 826,113</u>

TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT G-2

	Maintenance Building	Insurance Fund	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 33,626	\$ 1,368,143	\$ 1,401,769
Other Revenue	260	-	260
Total Operating Revenues	<u>33,886</u>	<u>1,368,143</u>	<u>1,402,029</u>
<b>OPERATING EXPENSES:</b>			
Highways, streets, and bridges	170,967	-	170,967
Insurance coverage and medical claims	-	839,283	839,283
Depreciation	3,035	-	3,035
Total Operating Expenses	<u>174,002</u>	<u>839,283</u>	<u>1,013,285</u>
Income (Loss) Before Transfers	(140,116)	528,860	388,744
Non-Operating Transfer In	<u>125,000</u>	<u>125,000</u>	<u>250,000</u>
Change in Net Position	(15,116)	653,860	638,744
Total Net Position - October 1 (Beginning)	<u>187,369</u>	<u>-</u>	<u>187,369</u>
 Total Net Position - September 30 (Ending)	 <u>\$ 172,253</u>	 <u>\$ 653,860</u>	 <u>\$ 826,113</u>

TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Maintenance Building	Insurance Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash contributed by employee/employer/stop loss	\$ -	\$ 1,368,143	\$ 1,368,143
Cash received from customers	33,886	-	33,886
Cash payments to suppliers for goods & services	(49,968)	-	(49,968)
Cash payments to employees for services	(88,005)	-	(88,005)
Cash payments for benefits	(33,643)	(869,811)	(903,454)
Net Cash Provided by (Used for) Operating Activities	<u>(137,730)</u>	<u>498,332</u>	<u>360,602</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Decrease in Due from other funds	-	389,800	389,800
Operating Transfer In	125,000	125,000	250,000
Net Cash Provided by Non-Capital Financing Activities	<u>125,000</u>	<u>514,800</u>	<u>639,800</u>
<u>Cash Flows from Capital &amp; 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	(12,730)	1,013,132	1,000,402
Cash and Cash Equivalents at Beginning of the Year:	<u>24,544</u>	<u>(359,272)</u>	<u>(334,728)</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 11,814</u>	<u>\$ 653,860</u>	<u>\$ 665,674</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ (140,116)	\$ 528,860	\$ 388,744
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:			
Increase (decrease) in Accounts Payable	(649)	(30,528)	(31,177)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (137,730)</u>	<u>\$ 498,332</u>	<u>\$ 360,602</u>

ENTERPRISE FUNDS

TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2013

EXHIBIT H-1

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 13,681	\$ 88,981	\$ 102,662
Inventories	3,283	-	3,283
Prepaid Items	-	269	269
Total Current Assets	16,964	89,250	106,214
<b>Noncurrent Assets:</b>			
Capital Assets:			
Machinery and Equipment	1,486	331,168	332,654
Accumulated Depreciation - Machinery & Equipment	(1,486)	(321,088)	(322,574)
Total Noncurrent Assets	-	10,080	10,080
Total Assets	16,964	99,330	116,294
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	-	13,874	13,874
Total Liabilities	-	13,874	13,874
<b>NET POSITION</b>			
Unrestricted Net Position	16,964	85,456	102,420
Total Net Position	\$ 16,964	\$ 85,456	\$ 102,420



TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT H-2

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 142,708	\$ 7,011	\$ 149,719
Other Revenue	175	-	175
<b>Total Operating Revenues</b>	<u>142,883</u>	<u>7,011</u>	<u>149,894</u>
<b>OPERATING EXPENSES:</b>			
Public Safety	83,621	-	83,621
Elections	-	198,509	198,509
Depreciation	-	32,436	32,436
<b>Total Operating Expenses</b>	<u>83,621</u>	<u>230,945</u>	<u>314,566</u>
Income (Loss) Before Transfers	59,262	(223,934)	(164,672)
Non-Operating Transfer In	-	225,000	225,000
Transfers Out	(78,000)	-	(78,000)
<b>Change in Net Position</b>	<u>(18,738)</u>	<u>1,066</u>	<u>(17,672)</u>
<b>Total Net Position - October 1 (Beginning)</b>	<u>35,702</u>	<u>84,390</u>	<u>120,092</u>
<b>Total Net Position - September 30 (Ending)</b>	<u>\$ 16,964</u>	<u>\$ 85,456</u>	<u>\$ 102,420</u>

TITUS COUNTY, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash received from customers	\$ 142,883	\$ 36,795	\$ 179,678
Cash payments to suppliers for goods & services	(83,498)	(33,572)	(117,070)
Cash payments to employees for services	-	(104,620)	(104,620)
Cash payments for benefits	-	(46,443)	(46,443)
Net Cash Provided by (Used for) Operating Activities	<u>59,385</u>	<u>(147,840)</u>	<u>(88,455)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer In/(Out)	<u>(78,000)</u>	<u>225,000</u>	<u>147,000</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(18,615)	77,160	58,545
Cash and Cash Equivalents at Beginning of the Year:	<u>32,296</u>	<u>11,820</u>	<u>44,116</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 13,681</u>	<u>\$ 88,980</u>	<u>\$ 102,661</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss):	\$ 59,262	\$ (223,934)	\$ (164,672)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	-	32,436	32,436
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	-	29,784	29,784
Decrease (increase) in Inventories	123	-	123
Increase (decrease) in Accounts Payable	-	13,874	13,874
Net Cash Provided by (Used for) Operating Activities	<u>\$ 59,385</u>	<u>\$ (147,840)</u>	<u>\$ (88,455)</u>

SUPPLEMENTAL INFORMATION

Titus County, Texas  
 BUDGETARY COMPARISON SCHEDULE  
 2007 Loop Debt Service Fund  
 for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	-	-	1,584	1,584
Miscellaneous	15,000	15,000	25,549	10,549
<b>Total revenues</b>	<b>15,000</b>	<b>15,000</b>	<b>27,133</b>	<b>12,133</b>
<b>EXPENDITURES</b>				
Debt service-principal	950,000	950,000	950,000	-
Debt service-interest	1,185,232	1,185,232	1,185,231	1
Bond fees	1,000	1,000	538	462
<b>Total expenditures</b>	<b>2,136,232</b>	<b>2,136,232</b>	<b>2,135,769</b>	<b>463</b>
Excess of revenues over (under) expenditures	(2,121,232)	(2,121,232)	(2,108,636)	(12,596)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	2,121,232	2,121,232	2,121,232	-
Operating transfers out	-	-	-	-
<b>Total other sources (uses)</b>	<b>2,121,232</b>	<b>2,121,232</b>	<b>2,121,232</b>	<b>-</b>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	12,596	12,596
<b>FUND BALANCE</b>				
Beginning of year	1,501,586	1,501,586	1,501,586	-
End of year	1,501,586	1,501,586	1,514,182	12,596

Titus County, Texas  
BUDGETARY COMPARISON SCHEDULE  
2009 Bond Debt Service Fund  
for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	2,834,537	2,834,537	2,957,774	123,237
Miscellaneous	16,000	16,000	22,857	6,857
Total revenues	2,850,537	2,850,537	2,980,631	130,094
<b>EXPENDITURES</b>				
Debt service-principal	1,255,000	1,255,000	1,255,000	-
Debt service-interest	1,735,600	1,735,600	1,735,600	-
Bond fees	1,000	1,000	538	462
Total expenditures	2,991,600	2,991,600	2,991,138	462
Excess of revenues over (under) expenditures	(141,063)	(141,063)	(10,507)	(130,556)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	141,063	141,063	141,063	-
Operating transfers out	-	-	-	-
Total other sources (uses)	141,063	141,063	141,063	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	130,556	130,556
<b>FUND BALANCE</b>				
Beginning of year	1,088,686	1,088,686	1,088,686	-
End of year	1,088,686	1,088,686	1,219,242	130,556

Titus County, Texas  
BUDGETARY COMPARISON SCHEDULE  
2011 Bond Debt Service Fund  
for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	265,463	265,463	277,980	12,517
Miscellaneous	1,000	1,000	1,643	643
Total revenues	266,463	266,463	279,623	13,160
<b>EXPENDITURES</b>				
Debt service-principal	215,000	215,000	215,000	-
Debt service-interest	50,463	50,463	49,829	634
Bond fees	1,000	1,000	-	1,000
Total expenditures	266,463	266,463	264,829	1,634
Excess of revenues over (under) expenditures	-	-	14,794	(14,794)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	14,794	14,794
<b>FUND BALANCE</b>				
Beginning of year	88,749	88,749	88,749	-
End of year	88,749	88,749	103,543	14,794

Titus County, Texas  
BUDGETARY COMPARISON SCH0045DULE  
2012-A Bond Debt Service Fund  
for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	-	-	-	-
Miscellaneous	-	10,000	9,659	(341)
Total revenues	-	10,000	9,659	(341)
<b>EXPENDITURES</b>				
Debt service-principal	-	-	-	-
Debt service-interest	1,761,200	1,761,200	1,761,200	-
Bond fees	-	540	538	2
Total expenditures	1,761,200	1,761,740	1,761,738	2
Excess of revenues over (under) expenditures	(1,761,200)	(1,751,740)	(1,752,079)	339
<b>OTHER FINANCING SOURCES (USES)</b>				
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	-	9,460	9,121	(339)
<b>FUND BALANCE</b>				
Beginning of year	1,000	1,000	1,000	-
End of year	1,000	10,460	10,121	(339)

Titus County, Texas  
BUDGETARY COMPARISON SCHEDULE  
2012-B Bond Debt Service Fund  
for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	-	-	-	-
Miscellaneous	-	10,000	9,444	(556)
Total revenues	-	10,000	9,444	(556)
<b>EXPENDITURES</b>				
Debt service-principal	-	-	-	-
Debt service-interest	1,722,013	1,722,013	1,722,013	-
Bond fees	-	540	538	2
Total expenditures	1,722,013	1,722,553	1,722,551	2
Excess of revenues over (under) expenditures	(1,722,013)	(1,712,553)	(1,713,107)	554
<b>OTHER FINANCING SOURCES (USES)</b>				
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	-	9,460	8,906	(554)
<b>FUND BALANCE</b>				
Beginning of year	1,001	1,001	1,001	-
End of year	1,001	10,461	9,907	(554)



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.  
 Amy E. Smith, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 21, 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 item 13-1 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.

January 21, 2014

Titus County, Texas  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended September 30, 2013

**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*.**

**13-1 DISTRICT CLERK**

***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.

***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.

***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.

***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.

***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.

***Views and Planned***

***Corrective Actions-*** The District Clerk agrees that these areas need improvement and continues to work on these items and will strive to correct all as soon as possible.

**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, 2013

12-1 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, 2013

- 13-1 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.