

LAMAR COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

*Introductory Section*

Lamar County, Texas  
Annual Financial Report  
For The Year Ended September 30, 2014

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*Financial Section*

# Malnory, McNeal & Company, PC

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### **Independent Auditor's Report**

To the Board of Trustees  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Texas ("the County") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Texas as of September 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

##### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2014, Lamar County, Texas adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for General Fund and Road and Bridge ; schedule of Funding in Progress for OPEB; and the Texas County and District Retirement System Schedule of Funding in Progress as identified in the Required Supplementary Information in the table of contents 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 Lamar County, Texas's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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 schedule of expenditures of federal awards is 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 February 22, 2016 on our consideration of Lamar County, Texas'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 Lamar County, Texas's internal control over financial reporting and compliance.

*Maloney, McNeal & Company PC*

Certified Public Accountants

February 22, 2016  
Paris, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lamar County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

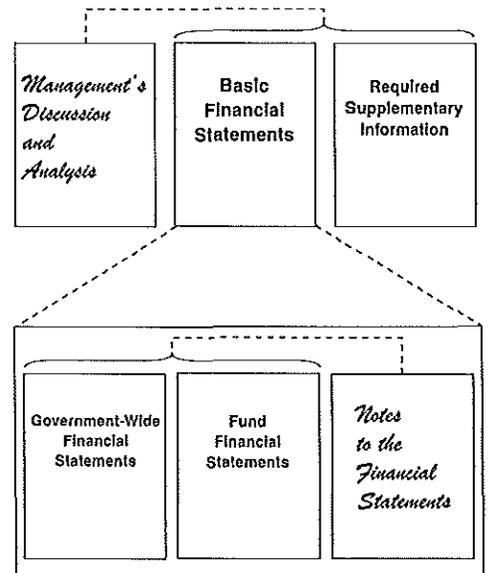
- The County's total combined Net Position was \$34,005,526 at September 30, 2014.
- During the year, the County's expenses were \$243,104 less than the \$20,452,500 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was 7.8% higher from last year.
- The unassigned fund balance of the general fund was \$5,103,073, or 40% of total general fund expenditures, which is about the same as last year.

### 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 both *long-term* and *short-term* information about the County's overall financial status.
- 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*.
- *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.

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



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.

Summary ↔ Detail

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

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.

Type of Statements	Fund 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 county that are not proprietary or fiduciary	Activities the county operates similar to private businesses: self insurance	Instances in which the county is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net assets
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 thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

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

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

- Over time, increases or decreases in the County's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider 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 general government, public safety, legal, public transportation, culture and recreation, and interest on long-term debt. Property taxes and grants 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 Commissioners 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 the following 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 you 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, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the County's other programs and activities..
- *Fiduciary funds*—The County is the trustee, or *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. All of the County's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities 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 were \$34,005,526 at September 30, 2014. (See Table A-1).

**Table A-1**  
County's Net Position

	Governmental Activities	
	2014	2013
<b>Assets:</b>		
Cash and cash equivalents	\$13,265,249	\$12,662,715
Investments	36,564	36,551
Receivables (net of allowances for uncollectibles):		
Interest	6,520	11,345
Taxes	1,187,655	1,095,043
Accounts	1,940,534	1,886,013
Due from other governments	524,801	507,565
Inventories	170,561	193,472
Prepaid Insurance	30,158	--
Capital assets (net, where applicable, of accumulated depreciation)	24,838,250	25,205,817
Bond Issuance Cost (net, of accumulated amortization)	--	128,454
Total Assets and Other Debits	<u>42,000,292</u>	<u>41,726,975</u>
<b>Liabilities:</b>		
Accounts payable and Accrued expenditures	933,065	1,047,866
<b>Noncurrent Liabilities:</b>		
Due Within One Year	551,566	331,396
Due in More than One Year	6,133,029	6,282,061
Compensated Absences Payable	218,578	224,619
Unamortized Premium on Bonds	158,528	176,422
Total Liabilities	<u>7,994,766</u>	<u>8,062,364</u>
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	21,301,360	21,728,949
Restricted For:		
Federal and State Programs	90,510	186,479
Debt Service	142,805	129,762
Capital Projects	957,135	1,346,481
Indigent Care	179,505	211,379
Records Management	658,016	486,998
Judicial	190,987	189,041
Other Purposes	1,964,765	233,013
Unrestricted	8,520,443	9,152,509
<b>Total Net Position</b>	<u>\$34,005,526</u>	<u>\$33,664,611</u>

Approximately 3.4% of the County's restricted Net Position represents debt service funds. These funds, when spent, are restricted for the payment of Certificate of Obligation, Series 2011 & 2012 debt. The \$8,520,443 of unrestricted net asset represents resources available to fund the programs of the County next year.

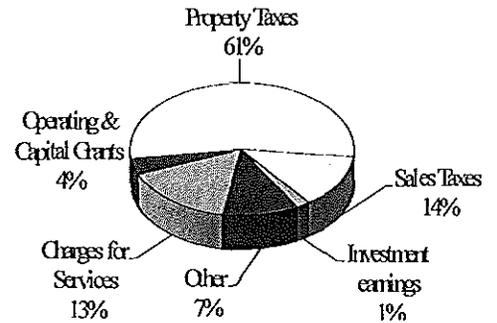
**Changes in Net Position.** The County's total revenues were \$20,452,500. A significant portion, 61%, of the County's revenue comes from property taxes. (See Figure A-3.) 13% comes from charges for services, 14% came from sales tax and 4% from operating grants.

The total cost of all programs and services was \$20,209,396; 30% of these costs are for law enforcement services.

**Governmental Activities**

- Property tax rates decreased by 3% and valuations increased nearly 4.5 percent partially due to new property added to the tax role for the year. The increase in values enabled an increase of tax revenues to \$12,355,778.
- The County sold capital bonds of \$2,500,000 in 2003. These bonds were authorized for use to the courthouse restoration project. They were refunded in 2012 and gave the county a total interest savings of \$174,302. This project was completed during the fiscal year 2006. Bonds were also issued in 2011 for \$2,000,000 towards capital projects performed on several county buildings.

**Figure A-3 County Sources of Revenue for Fiscal Year 2009-10**



**Table A-2 Changes in County's Net Position**

	Governmental Activities	
	2014	2013
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$2,686,730	\$2,631,128
Operating Grants and Contributions	855,526	840,004
<b>General Revenues:</b>		
Taxes	15,223,794	15,209,666
Grants and Contributions not Restricted to Specific Program	1,084,548	659,374
Unrestricted Investment Earnings	103,244	105,125
Gain on Sale Capitalized Assets	118,630	32,178
Miscellaneous	380,028	127,542
<b>Total Revenues</b>	<b>20,452,500</b>	<b>19,519,984</b>
<b>Program Expenses:</b>		
General Administration	3,123,333	2,487,478
Financial Administration	1,132,370	1,018,071
Judicial	1,689,094	1,649,249
Legal	1,029,404	1,001,903
Public Safety	5,972,614	5,844,402
Emergency Mgt.	36,081	23,835
Public Welfare	2,370,629	2,228,299
Public Transportation	3,755,653	3,378,885
Conservation and Agriculture	110,484	106,652
Public Facilities	875,871	860,523
Interest on Long-Term Debt	113,863	152,591
<b>Total Expenses</b>	<b>20,209,396</b>	<b>18,751,888</b>
<b>Special and Extraordinary Items:</b>		
Special Item Outflow	--	(1,558,102)
<b>Change in Net Position</b>	<b>243,104</b>	<b>(790,006)</b>
Net Position, October 1	33,664,611	34,454,617
Prior Period Adjustment	97,811	--
Adjusted Net Position, October 1	33,762,422	--
<b>Net Position, September 30</b>	<b>\$34,005,526</b>	<b>\$33,664,611</b>

The 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 \$20,209,396.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$12,355,778.
- Some of the cost was paid by those who directly benefited from the programs \$2,686,730, or
- By grants and contributions \$855,526.

**Table A-3**  
Net Cost of Selected County Functions

	Total Cost of Services		Net Cost of Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General administration	3,123,333	2,487,478	(2,643,389)	(2,043,475)
Public safety	5,972,614	5,844,402	(5,451,896)	(5,256,367)
Public welfare	2,370,629	2,228,299	(2,244,070)	(2,160,604)
Public transportation	3,755,653	3,378,895	(2,593,278)	(2,255,775)
Total of Selected Functions	<u>15,222,229</u>	<u>13,939,074</u>	<u>(12,932,633)</u>	<u>(11,716,721)</u>

#### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

**Governmental Funds.** The general governmental funds are reported in the General, Special Revenue, Debt Service, and Capital Project funds. The focus of Lamar County's governmental funds is to provide information on a near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Lamar County's annual financing and budgeting requirements. In particular, unassigned fund balances may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Key factors that enable the County to maintain a stable level of fund balance are as follows:

- Total revenues for property taxes, increased over prior year amounts by \$139,949. The increase was due to the increase in valuations, including new property added to the tax role for the year. Fees, fines, and miscellaneous revenues were reasonably unchanged as demand for services remained stable. Intergovernmental revenues increased by \$605,755 mostly due to the county receiving an increase in grant proceeds as compared to the prior year.
- Expenditures in governmental funds increased \$1,430,983 (8%) from prior year totals. The primary area of increased expenditures was in general administration and public transportation.

**General Fund.** The general fund is the chief operating fund of Lamar County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,103,073, while total fund balance reached \$9,465,167. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures and total fund balance represents 75% of the same amount. The County has adopted a policy of maintaining a minimum fund balance to be used for unanticipated needs. A Fund Balance Policy adopted by the Commissioner's Court in 2011 states that the minimum level shall be approximately 25% of budgeted expenditures. The County considers a balance of less than 20% as a cause of concern and an unassigned fund balance of more than 35% as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and/or to reduce the tax levy requirements.

The fund balance of Lamar County's general fund has increased by \$559,768 during the current fiscal year. The County's property and sales tax growth was one of the main factors behind the net increased revenues compared to the prior year. Along with the increase in intergovernmental receipts from grant funds received. In addition, expenditures showed a significant decrease from budgeted amounts. Conservative spending across many departments, including public safety and welfare, resulted in lower than budgeted operational costs.

**Road and Bridge Fund.** The Road and Bridge fund balance totaled \$1,661,500, an increase of \$423,443. The main factors are the increase in transfers in by \$220,000 and the increase in sales of capital assets by \$244,761.

**Debt Service Fund.** The debt service fund has a total fund balance of \$39,554, an increase of \$6,044 from the prior year. Lamar County elected not to use the restricted fund balance toward the debt payment for the current year.

**General Fund Budgetary Highlights**

Over the course of the year, the County did not revise its budget at any time, due to the receipt of unexpected revenues. There were no differences between original budget and the final amended budget in the general fund.

Even with these adjustments, actual expenditures were \$969,913 below final budget amounts. The most significant positive variance resulted from operating costs in public safety. Personnel costs were down in criminal detention due to high turnover rate, along with a lower jail population resulting in favorable jail costs. Also, the sheriff's department personnel costs were lower than budgeted amount.

On the other hand, resources available were \$484,611 above the final budgeted amount. As noted earlier:

- Sales tax revenues increased above budgeted amounts due to a rise in collections and the conservative approach the County uses to estimate revenue.
- Intergovernmental receipts increased due to an increase in grant funds received and miscellaneous revenue increased as well.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2014, the County had invested \$51,544,703 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure (See Table A-4). This amount represents a net increase (including additions and deductions) of \$573,295 or 1.2 percent from last year. This was mainly due to new equipment and infrastructure.

**Table A-4  
County's Capital Assets**

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Land	\$ 732,602	\$ 732,602
Buildings and improvements	20,929,446	20,919,532
Vehicles and equipment	8,956,412	8,640,254
Infrastructure	20,926,243	20,679,020
Totals at historical cost	<u>51,544,703</u>	<u>50,971,408</u>
Total accumulated depreciation	<u>(26,706,452)</u>	<u>(25,765,591)</u>
Net capital assets	<u>\$ 24,838,251</u>	<u>\$ 25,205,817</u>

The County's fiscal year 2014-15 capital budget projects spending \$1,700,827 for capital projects, principally to replace the HVAC system at the services building and restoration work in county buildings, along with the purchase of additional equipment for the county precincts. More detailed information about the County's capital assets is presented in Note D of the notes to the financial statements.

## Long Term Debt

At year-end the County had \$4,237,479 in bonds and notes outstanding as shown in Table A-5. More detailed information about the County's debt is presented in Note F in the notes to the financial statements.

**Table A-5**  
County's Long Term Debt

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Bonds payable	\$ 3,914,264	\$ 4,195,300
Capital lease payable	104,640	155,000
Compensated absences	<u>218,575</u>	<u>224,619</u>
Total long-term debt	<u>\$ 4,237,479</u>	<u>\$ 4,574,919</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2014-15 budget preparation is up \$205,103,623, or almost 5% part of which is due to new property that was added to the tax roll for the year.
- General operating fund spending increases in the 2014-15 budget from \$13,522,972 to \$13,871,150. This is a 2% increase.

These indicators were taken into account when adopting the general fund budget for 2014-15. During the current fiscal year, unassigned fund balance in the general fund increased to \$5,103,073. Lamar County appropriated \$594,045 of this amount for spending in the 2014-15 fiscal year budget. The County will use this balance to fund the rising costs in the general fund.

In the general fund, expenditures are budgeted to rise 2% to \$13,817,150. The increase is primarily due to increased operating costs and equipment. Employees did not receive a pay raise for the 2014-15 fiscal year.

If these estimates are realized, the County's budgetary general fund balance is expected to see a decrease by the close of 2015.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lamar County Auditor's Office.

*Basic Financial Statements*

**LAMAR COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 13,265,249
<i>Investments</i>	36,564
Receivables ( net of allowances for uncollectibles):	
<i>Interest</i>	6,520
<i>Taxes</i>	1,187,655
<i>Accounts</i>	1,940,534
<i>Due from other governments</i>	524,801
<i>Inventories</i>	170,561
<i>Prepaid Insurance</i>	30,158
<i>Capital assets ( net, where applicable, of accumulated depreciation)</i>	
<i>Land</i>	732,602
<i>Buildings</i>	10,949,808
<i>Equipment</i>	3,105,447
<i>Infrastructure - Roads and Bridges</i>	10,050,393
Total Assets	<u>42,000,292</u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	933,065
<i>Noncurrent Liabilities:</i>	
<i>Due Within One Year</i>	551,566
<i>Due in More than One Year</i>	6,133,029
<i>Compensated Absences Payable</i>	218,578
<i>Unamortized Premium on Bonds</i>	158,528
Total Liabilities	<u>7,994,766</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	21,301,360
Restricted For:	
Federal and State Programs	90,510
Debt Service	142,805
Capital Projects	957,135
Indigent Care	179,505
Records Management	658,016
Judicial	190,987
Other Purposes	1,964,765
Unrestricted	8,520,443
Total Net Position	<u>\$ 34,005,526</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Administration	\$ 3,123,333	\$ 452,574	\$ 27,370	\$ (2,643,389)
Financial Administration	1,132,370	581,521	--	(550,849)
Judicial	1,689,094	425,602	101,384	(1,162,108)
Legal	1,029,404	76,732	67,421	(885,251)
Public Safety	5,972,614	101,001	419,717	(5,451,896)
Emergency Management	36,081	--	--	(36,081)
Public Welfare	2,370,629	--	126,559	(2,244,070)
Public Transportation	3,755,653	1,049,300	113,075	(2,593,278)
Conservation and Agriculture	110,484	--	--	(110,484)
Public Facilities	875,871	--	--	(875,871)
Interest on Long-Term Debt	113,863	--	--	(113,863)
Total Primary Government	<u>\$ 20,209,396</u>	<u>\$ 2,686,730</u>	<u>\$ 855,526</u>	<u>(16,667,140)</u>
General Revenues:				
Taxes				
Property Taxes				12,355,778
Sales Taxes				2,868,016
Grants and Contributions Not Restricted to Specific Programs				1,084,548
Unrestricted Investment Earnings				103,244
Gain on Sale of Capitalized Assets				118,630
Miscellaneous				380,028
Total General Revenues				<u>16,910,244</u>
Change in Net Assets				243,104
Net Assets - Beginning				33,664,611
Prior Period Adjustment				97,811
Adjusted Net Assets - Beginning				33,762,422
Net Assets - Ending				<u>\$ 34,005,526</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets:</b>				
<i>Cash and cash equivalents</i>	\$ 9,080,887	\$ 1,777,457	\$ 2,406,904	\$ 13,265,248
<i>Investments</i>	32,645	868	3,051	36,564
Receivables ( net of allowances for uncollectibles):				
<i>Interest</i>	5,743	777	--	6,520
<i>Taxes</i>	826,693	203,111	157,851	1,187,655
<i>Accounts</i>	1,146,704	725,792	68,038	1,940,534
<i>Due from other governments</i>	504,957	--	19,844	524,801
<i>Inventories</i>	--	156,431	14,130	170,561
<i>Prepaid Insurance</i>	30,158	--	--	30,158
<b>Total Assets</b>	<u>11,627,787</u>	<u>2,864,436</u>	<u>2,669,818</u>	<u>17,162,041</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts Payable &amp; Accrued Expenditures</i>	\$ 226,182	\$ 280,625	\$ 421,667	\$ 928,474
<b>Total Liabilities</b>	<u>226,182</u>	<u>280,625</u>	<u>421,667</u>	<u>928,474</u>
<b>Deferred Inflows of Resources:</b>				
<i>Unavailable Revenues-Taxes</i>	1,936,438	922,311	157,851	3,016,600
<b>Total Deferred Inflows of Resources</b>	<u>1,936,438</u>	<u>922,311</u>	<u>157,851</u>	<u>3,016,600</u>
<b>Fund Balances:</b>				
<b>Nonspendable Fund Balances:</b>				
<i>Inventories</i>	--	--	14,130	14,130
<i>Other Nonspendable Fund Balance</i>	30,158	--	--	30,158
<b>Restricted Fund Balances:</b>				
<i>Federal/State Funds Grant Restrictions</i>	--	--	90,512	90,512
<i>Other Restrictions of Fund Balance</i>	--	1,661,500	1,985,658	3,647,158
<b>Committed Fund Balance:</b>				
<i>OPEB Obligations</i>	1,814,885	--	--	1,814,885
<i>SURRMA Interlocal Coop Agreement</i>	2,517,051	--	--	2,517,051
<i>Unassigned</i>	5,103,073	--	--	5,103,073
<b>Total Fund Balances</b>	<u>9,465,167</u>	<u>1,661,500</u>	<u>2,090,300</u>	<u>13,216,967</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 11,627,787</u>	<u>\$ 2,864,436</u>	<u>\$ 2,669,818</u>	<u>\$ 17,162,041</u>

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

Total fund balances - governmental funds balance sheet	\$ 13,216,967
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,838,250
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,187,655
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,914,264)
Payables for capital leases which are not due in the current period are not reported in the funds.	(104,640)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,591)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(218,575)
Accumulated accretion on capital appreciation bonds.	(148,640)
Accrued OPEB (Other Post Employment Benefits) obligations are not due and payable in the current period are not reported in the funds.	(2,517,051)
Fines receivable are not available to pay for current period expenditures and are deferred in the funds.	1,828,943
Unamortized premium on bonds, not reported in the SNP.	<u>(158,528)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 34,005,526</u>

The accompanying notes are an integral part of this statement.

## LAMAR COUNTY, TEXAS

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

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
<i>Property Taxes</i>	\$ 8,535,362	\$ 2,097,190	\$ 1,630,615	\$ 12,263,167
<i>Other Taxes</i>	2,868,016	--	--	2,868,016
<i>Intergovernmental Receipts</i>	417,358	71,887	1,130,761	1,620,006
<i>Fees of Office</i>	1,158,258	892,765	333,148	2,384,171
<i>Fines</i>	247,848	156,535	--	404,383
<i>Interest</i>	91,806	6,632	4,806	103,244
<i>Miscellaneous</i>	251,322	3,356	378,492	633,170
Total revenues	<u>13,569,970</u>	<u>3,228,365</u>	<u>3,477,822</u>	<u>20,276,157</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General Administration</i>	1,929,071	--	1,411,785	3,340,856
<i>Financial Administration</i>	1,054,372	--	--	1,054,372
<i>Judicial</i>	1,540,671	--	70,102	1,610,773
<i>Legal</i>	846,087	--	161,915	1,008,002
<i>Public Safety</i>	5,244,334	--	457,196	5,701,530
<i>Public Welfare</i>	1,246,059	--	1,115,978	2,362,037
<i>Public Transportation</i>	--	3,307,045	41,188	3,348,233
<i>Conservation and Agriculture</i>	101,892	--	--	101,892
<i>Public Facilities</i>	655,318	--	--	655,318
<i>Emergency Management</i>	36,081	--	--	36,081
<i>Principal</i>	--	--	281,038	281,038
<i>Interest and fees</i>	--	--	270,544	270,544
Total expenditures	<u>12,653,885</u>	<u>3,307,045</u>	<u>3,809,746</u>	<u>19,770,676</u>
Excess (deficiency) of revenues (under) expenditures	916,085	(78,680)	(331,924)	505,481
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	--	220,000	136,317	356,317
<i>Transfers out</i>	(356,317)	--	--	(356,317)
<i>Proceeds from Sales of Capital Assets</i>	--	282,123	--	282,123
Total other financing sources (uses)	<u>(356,317)</u>	<u>502,123</u>	<u>136,317</u>	<u>282,123</u>
Net change in fund balances	559,768	423,443	(195,607)	787,604
Fund balances/equity, October 1	8,905,399	1,238,057	2,285,907	12,429,363
Fund balances/equity, September 30	<u>\$ 9,465,167</u>	<u>\$ 1,661,500</u>	<u>\$ 2,090,300</u>	<u>\$ 13,216,967</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**

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

Net change in fund balances - total governmental funds	\$ 787,604
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	903,366
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,294,884)
The gain or loss on the sale of capital assets is not reported in the funds.	118,630
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(313,102)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	92,611
Deferred fine revenues in the SNP not providing current financial resources are not reported as revenues in the funds.	(3,919)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(541,323)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	281,036
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	50,360
The accretion of interest on capital appreciation bonds is not reported in the funds.	138,789
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	6,041
Bond premiums are reported in the funds not in the SNP.	<u>17,895</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 243,104</u>

The accompanying notes are an integral part of this statement.

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 1,811,221
Total Assets	<u>\$ 1,811,221</u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	\$ 123,705
<i>Due to Other Agencies</i>	666,690
<i>Due to Beneficiaries</i>	1,020,826
Total Liabilities	<u>\$ 1,811,221</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Summary of Significant Accounting Policies**

The combined financial statements of Lamar County, Texas (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has one component unit, Lamar County Child Welfare Board (LCCWB). The LCCWB is reported in the operations and activities of the County as a blended component unit. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

Certain significant governmental and other entities providing services within the County are administered by separate boards or commissioners, are not financially accountable to the Commissioners' Court, and are responsible for their own fiscal matters. Consequently, financial information for the following entities is not included within the scope of these financial statements:

Paris Junior College	City of Paris, Texas
Paris Independent School District	City of Deport, Texas
Prairiland Independent School District	City of Reno, Texas
Roxton Independent School District	City of Blossom, Texas
North Lamar Independent School District	Lamar County Appraisal District
Chisum Independent School District	City of Roxton, Texas

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**General Fund-** This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

**Special Revenue Funds-** to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes.

**Capital Projects Funds-** to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals other than governments).

**Debt Service Funds-** to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major governmental funds:

**General Fund-** This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

**Road and Bridge Fund-** This fund is used to account for monies designated for use in road and bridge work of the County. Primary sources of revenues for this special revenue fund included ad valorem taxes, automobile registration fees, County and District court fines, and state allotments of road funds. Revenues are used for public transportation maintenance and construction purposes.

In addition, the County reports the following fund types:

**Fiduciary Funds-** Used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The County reports eleven agency funds as fiduciary funds. Agency funds are used to account for assets held by the County as an agent on behalf of various third parties outside the primary government.

b. **Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

**3. Financial Statement Amounts**

**a. 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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property 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 fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

**b. Inventories and Prepaid Items**

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**c. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

d. Receivable and Payable Balances

	General Fund	Road and Bridge Fund	Other Governmental	Total
Interest	\$ 5,743	\$ 777	\$ --	\$ 6,519
Delinquent Taxes Receivable	870,203	213,801	166,159	1,250,163
Less: Allowance for Uncollectibles	(43,510)	(10,690)	(8,308)	(62,508)
Net Delinquent Taxes Receivable	<u>826,693</u>	<u>203,111</u>	<u>157,851</u>	<u>1,187,655</u>
Accounts Receivable	2,514,497	1,282,754	68,038	3,865,289
Less: Allowance for Uncollectibles	(1,367,793)	(556,962)	--	(1,924,755)
Net Fines Receivable	<u>1,146,704</u>	<u>725,792</u>	<u>68,038</u>	<u>1,940,534</u>
Total Net Receivables	<u>\$ 1,979,140</u>	<u>\$ 929,680</u>	<u>\$ 225,889</u>	<u>\$ 3,134,708</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, Interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

f. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Restricted for Federal and State Programs	\$ 90,510
Restricted for Debt Service	142,805
Restricted for Capital Projects	957,135
Restricted for Indigent Care	179,505
Restricted for Records Management	658,016
Restricted for Judicial	190,987
Restricted for Other Purposes	1,964,765
Total	<u>\$ 4,183,723</u>

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners Court. Committed amounts cannot be used for any other purpose unless the Commissioners Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners Court. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself. The County Treasurer can assign fund balance.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum Fund Balance: Lamar County generally aims to maintain the following minimum fund balances:

General fund's unassigned fund balance of approximately twenty-five percent (25%) of budgeted expenditures for the fiscal year, to be used for unanticipated needs. The county considers a balance of less than twenty percent (20%) to be a cause of concern, barring unusual or deliberated circumstances. An unassigned fund balance of more than thirty-five percent (35%) will be considered as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and/or to reduce the tax levy requirements.

Road and Bridge Fund: A fund balance between five (5%) to ten percent (10%) of budgeted expenditures to meet sufficient cash flow needs.

Debt Service Fund: A fund balance of no more than ten percent (10%) of the current period payments.

Replenishment of Minimum Fund Balance: At the completion of any fiscal year in which the fund balance is less than the minimum established by fund balance policy, the Commissioners' Court will establish a plan to restore this balance to the target level within a specified period of time. When developing this plan, the following items should be considered in establishing the appropriate time horizon:

- \* The budgetary reasons behind the fund balance targets
- \* Recovery from an extreme event
- \* Financial planning time horizon
- \* Long-term forecasts and economic conditions
- \* Milestones for gradual replacement
- \* External financing options

Implementation and Review: Upon adoption of this policy the Commissioner Court authorizes the County Auditor to establish standards and procedures which may be necessary for its implementation. The County Auditor shall review this policy at least annually and make any recommendations for change to the Commissioners Court.

g. **Compensated Absences**

General leave for the County includes both vacation and sick pay. General leave is based on an

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued general leave earned not to exceed forty hours of vacation or forty hours of sick leave converted as set forth by personnel policy.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Debt Related Intangibles

Premiums and discounts are amortized over the life of the related bond using the interest method or the straight line method if the straight line method does not materially differ from the interest method.

j. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

5. Change In Accounting Policies

In the current fiscal year the County implemented the following new standard:

GASB Statement 65, Items Previously Reported as Assets and Liabilities ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements and notes to the financial statements.

Also, with this implementation deferred charges, which consisted of bond issuance costs and were amortized over the term of the bonds, are no longer recognized but are accounted for as expense in the period incurred. Therefore, the beginning net position on the Statement of Activities has been adjusted to reflect the portion of deferred charges that were incurred in prior years. See Note Q for details.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,076,465 and the bank balance was \$14,649,867. The County's cash deposits at March 10, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investments at September 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	\$ 36,564
Total Investments		\$ <u>36,564</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

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a. Credit Risk

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

At September 30, 2014, the County's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Investor:	Credit Quality Rating
TexPool	AAA-m

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other

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persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 732,602	\$ --	\$ --	\$ 732,602
Total capital assets not being depreciated	<u>732,602</u>	<u>--</u>	<u>--</u>	<u>732,602</u>
<i>Capital assets being depreciated:</i>				
Road Network	20,679,020	247,223	--	20,926,243
Buildings and improvements	20,919,532	9,914	--	20,929,446
Equipment	8,640,254	864,652	548,494	8,956,412
Total capital assets being depreciated	<u>50,238,806</u>	<u>1,121,789</u>	<u>548,494</u>	<u>50,812,101</u>
Less accumulated depreciation for:				
Road Network	(10,386,374)	(489,475)	--	(10,875,849)
Buildings and improvements	(9,686,472)	(293,166)	--	(9,979,638)
Equipment	(5,692,746)	(512,241)	(354,022)	(5,850,965)
Total accumulated depreciation	<u>(25,765,592)</u>	<u>(1,294,882)</u>	<u>(354,022)</u>	<u>(26,706,452)</u>
Total capital assets being depreciated, net	<u>24,473,214</u>	<u>(173,093)</u>	<u>194,472</u>	<u>24,105,649</u>
Governmental activities capital assets, net	<u>\$ 25,205,816</u>	<u>\$ (173,093)</u>	<u>\$ 194,472</u>	<u>\$ 24,838,251</u>

Depreciation was charged to functions as follows:

General Government	\$ 82,632
Judicial	3,853
Legal	7,818
Finance	43,628
Facilities	209,096
Safety	166,455
Transportation	781,400
	<u>\$ 1,294,882</u>

**E. Interfund Balances and Activity**

Transfers to and from other funds at September 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ 84,449	Provide resources for repayment of bonds.
General fund	Road and Bridge Fund	220,000	Supplement other funds sources
General fund	Other Governmental Funds	51,868	Supplement other funds sources
	Total	<u>\$ 356,317</u>	

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**F. Long-Term Obligations**

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the County.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
1999 Certificate of Obligation	\$ 201,036	\$ --	\$ 201,036	\$ --	\$ --
2011 Certificate of Obligation					
Current Interest Bonds	200,000	--	40,000	160,000	40,000
Capital Apprec Bonds	1,689,248	--	--	1,689,248	--
Premium Capital Apprec bonds	70,016	--	--	70,016	--
2012 Tax Refunding Bonds	2,035,000	--	40,000	1,995,000	460,000
Total	<u>4,195,300</u>	<u>--</u>	<u>281,036</u>	<u>3,914,264</u>	<u>500,000</u>
<b>Accumulated Accretion Capital</b>					
Appreciation Debt Series '99	194,929	19,032	213,961	--	--
Accum Accretion CAB '11	84,022	50,960	--	134,982	--
Accum Accretion Prem CAB '11	8,478	5,180	--	13,658	--
Premium CAB Series 2011	59,014	--	5,901	53,113	--
Prem Current Interest Bd '11	2,521	--	504	2,017	--
Premium 2012 Refunding Bds	114,887	--	11,489	103,398	--
	<u>463,851</u>	<u>75,172</u>	<u>231,855</u>	<u>307,168</u>	<u>--</u>
<b>Amount Payable Under</b>					
Capital Lease	155,000	--	50,360	104,640	51,566
Compensated absences *	224,619	258,215	264,259	218,575	218,575
OPEB Obligations *	1,975,728	711,231	169,908	2,517,051	--
	<u>2,355,347</u>	<u>969,446</u>	<u>484,527</u>	<u>2,840,266</u>	<u>270,141</u>
<b>Total governmental activities</b>	<u>\$ 7,014,498</u>	<u>\$ 1,044,618</u>	<u>\$ 997,418</u>	<u>\$ 7,061,698</u>	<u>\$ 770,141</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
OPEB Obligations	Governmental	General

**2. Debt Service Requirements**

Year Ending September 30,	Certificate of Obligations 2011		
	Principal	Interest	Total
2015	\$ 40,000	\$ 3,200	\$ 43,200
2016	40,000	2,400	42,400
2017	40,000	1,600	41,600
2018	40,000	800	40,800

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2019	457,545	92,455	550,000
2020	431,651	118,349	550,000
2021	410,278	139,722	550,000
2022	389,774	160,226	550,000
2023	70,016	139,984	210,000
Totals	<u>\$ 1,919,264</u>	<u>\$ 658,736</u>	<u>\$ 2,578,000</u>

On November 15, 2011, the County issued Lamar County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011, they were issued in part as Current Interest Certificates of \$240,000 and Capital Appreciation Certificates of \$1,759,264. Interest on the Current Interest Certificates will be payable on March 1 and September 1 of each year. Proceeds from the sale of the certificates will be used for the purpose of paying contractual obligations of the County to be incurred for making permanent public improvements for the County's Criminal Justice System, County roads, equipment for the Sheriff's Department, and improving and equipping the County courthouse and Courthouse Annex facilities. Interest on Series 2011 bonds is paid on current interest bonds at a rate of 2% and the interest on the capital appreciation certificates at a variable rate of 2.4% to 3.44%.

Year Ending September 30,	Tax Refunding Bonds 2012		
	Principal	Interest	Total
2015	\$ 460,000	\$ 50,300	\$ 510,300
2016	470,000	38,800	508,800
2017	485,000	27,050	512,050
2018	495,000	14,925	509,925
2019	--	2,550	2,550
2020	--	2,550	2,550
2021	--	2,550	2,550
2022	--	2,550	2,550
2023	85,000	2,550	87,550
Totals	<u>\$ 1,995,000</u>	<u>\$ 143,825</u>	<u>\$ 2,138,825</u>

**Limited Tax Refunding Bonds**

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt", provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2014, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for future debt service payments are as follows:

Year Ending September 30,	Certificates of Obligation, Series 2003		
	Principal	Interest	Total
2015	\$ 475,000	\$ 78,543	\$ 553,543
2016	495,000	59,543	554,543
2017	515,000	41,228	556,228
2018	535,000	21,400	556,400
Totals	<u>\$ 2,020,000</u>	<u>\$ 200,713</u>	<u>\$ 2,220,713</u>

**3. Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2014, as follows:

Year Ending September 30:	Principal	Interest	Total
2015	\$ 51,566	\$ 3,055	\$ 54,622
2016	53,074	1,548	54,622
Total Minimum Rentals	<u>\$ 104,640</u>	<u>\$ 4,603</u>	<u>\$ 109,244</u>

The effective interest rate on capital leases is 5.92%.

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Leased equipment under capital lease in capital assets at September 30, 2014, included the following:

Asset:	Governmental Activities
Machinery and Equipment	\$ 205,000
Less: Accumulated Depreciation	21,525
Total	<u>\$ 183,475</u>

Accumulated depreciation of leased equipment under capital assets is included with depreciation expense.

**G. Risk Management**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties Risk Management Pool ("TAC RMP"). TAC RMP is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**H. Pension Plan**

**1. Plan Description**

Lamar County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768.

The plans 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 contribution in the plan to receive any employer-financed benefit. Members who withdraw their personal contribution 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 contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**2. Funding Policy**

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially

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determined annually. The employer contributed using the actuarially determined rate of 12.35% for the months the accounting year 2014, and 11.50% for the months in the accounting year 2013.

The contribution rate payable by the employee members for the calendar year 2014 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act

**3. Annual Pension Cost**

For the employer's accounting year ended September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$517,289, and the actual contributions were \$897,713.

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

Actuarial Valuation Date	12-31-11	12-31-12	12-31-13
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level % of payroll, closed	level % of payroll, closed	level % of payroll, closed
Amortization Period in Years	20	20	20
Asset Valuation Method			
Subdivision Accumulation Fund	10 year smoothed value	10 year smoothed value	10 year smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment Return-includes inflation	8.00%	8.00%	8.00%
Projected Salary Increases-includes inflation	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.0%
Cost-of-living Adjustments	0.0%	0.0%	0.0%

**Schedule of Funding Progress for the Retirement Plan for the Employees of Lamar County:**

Actuarial Valuation Date	12-31-11	12-31-12	12-31-13
Actuarial Valuation of Assets	19,158,056	19,856,565	21,499,937
Actuarial Accrued Liability (AAL)	22,719,091	23,993,386	25,564,424
Unfunded Actuarial Accrued Liability (UAAL)	3,561,035	4,136,821	4,064,487
Funded Ratio	84.33%	82.76%	84.10%
Annual Covered Payroll (Actuarial)	6,986,322	7,070,335	7,059,992
UAAL as a % of Covered Payroll	50.97%	58.51%	57.57%

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

**I. Health Care Coverage**

Beginning October 1, 2013, the County has health care coverage with Blue Cross Blue Shield of Texas. The Lamar County Employee Health Plan participants are fully insured. The County contributed up to \$2,140 per month

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per employee and dependents to the Plan. The County paid up to \$1,232 for retirees and their dependents. Employees at their option, authorized payroll withholdings for contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the County and the Plan is renewable October 1st, of each year, and the annual financial statements have been filed with the Texas State Board of Insurance. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**J. Commitments and Contingencies**

**1. Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the County at September 30, 2014.

**K. Subsequent Events**

Management has evaluated subsequent events through February 8, 2016, noted the following subsequent events that should be reported:

On April 30, 2014, the County was awarded the Texas Historical Grant to repair and protect the courthouse for \$316,000 with a matching amount of \$316,000.

The County was awarded \$350,000 to assist in debris removal in the aftermath of the 2013 ice storm from the Texas Community Development Block Grant.

**L. OPEB (Other Post Employment Benefits)**

The County sponsors and administers a single-employer defined benefit health care plan. The Plan pays a portion of health care insurance premiums for eligible retired employees. Retirement eligibility is determined based on the Texas County and District Retirement System (TCDRS) definition. Employees are eligible to retire at age 60 and above with 8 years of service in TCDRS, with 30 years service in TCDRS at any age, or when the sum of his or her age and years of service in TCDRS equals 75. Spouses and dependents are eligible for coverage. Coverage ceases upon reaching Medicare eligibility. The County Commissioners have the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

The County elected to prospectively implement GASB Statement No. 45, Accounting and Financial Reporting Employers for Post employment Benefits Other than Pensions, beginning in fiscal year ending September 30, 2009.

**Funding Policy**

The County has adopted the pay-as-you-go, PAYGO, funding policy. The annual employer contributions in addition to the member contributions are equal to the benefits paid on behalf of the retirees. Retirees and dependents continue to pay the employee or dependent's share of the premium charged to members.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year

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and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2014, is as follows:

	09/30/2012	09/30/2013	09/30/2014
Annual Required Contribution	\$ 665,652	\$ 684,170	\$ 704,695
Interest on Net OPEB Obligation	50,984	72,055	88,908
Adjustment to Annual Required Contribution	(47,236)	(66,758)	(82,372)
Annual OPEB cost (expense) end of year	669,400	689,467	711,231
Net estimated employer contributions	(201,160)	(314,956)	(169,908)
Increase (decrease) in net OPEB Obligation (asset)	468,240	374,511	541,323
Net OPEB Obligation -- as of beginning of the year	\$ 1,132,977	\$ 1,601,217	\$ 1,975,728
Net OPEB Obligation (asset) -- as of end of year	\$ 1,601,217	\$ 1,975,728	\$ 2,517,051

The County's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percent Contributed	Net OPEB Obligation
September 30, 2012	\$ 669,400	\$ 201,160	30.1%	\$ 1,601,217
September 30, 2013	\$ 689,467	\$ 314,956	45.7%	\$ 1,975,728
September 30, 2014	\$ 711,231	\$ 169,908	23.9%	\$ 2,517,051

**Funding Status and Funding Progress**

The funded status of the County's retiree health care plan, under GASB No. 45 as of September 30, 2014, is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 30	(a)	(b)	(b-a)	(a/b)	(c)	((b/a)/c)
2012	--	\$5,680,959	\$5,680,959	--	\$5,431,569	104.6%
2014	--	\$4,639,931	\$4,639,931	--	\$6,351,411	73.1%

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$5,680,959 at September 30, 2012. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 104.6%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions	
Inflation Rate	3.00% per annum
Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	Open 30 year period
Salary growth rate and inflation	3.0% per annum
Medical trend	initial rate of 8.00% declining to an ultimate rate of 4.5% after 7 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**M. Sulphur River Region Mobility Interlocal Agreement**

Lamar County, Texas entered into an Interlocal Cooperative Agreement with the Sulphur River Region Mobility Authority (the "Authority") effective October 10, 2012, and with other governmental entities in the area for upgrading and widening State Highway 24. The Authority has secured a State Infrastructure Bank Loan (SIB) for the project with Lamar County's share of the local participation being \$1,426,813. The County's payment obligations pursuant to the SIB Loans shall become due and payable not later than March 29 each year in accordance with the schedule below at a rate of 3.68% per annum. Agreement such as this are not reported as debt in the financials, but appropriately disclosed in the notes to the financial statements in accordance with Governmental Accounting Standards.

Years of Stated Maturity	Principal Amounts (\$)	Interest Amounts (\$)	Interest Rates (%)
2015	\$ 52,610	\$ 48,217	3.68%
2016	54,546	46,281	3.68%
2017	56,553	44,274	3.68%
2018	58,634	42,193	3.68%
2019	60,792	40,035	3.68%
2020	62,029	37,798	3.68%
2021	65,349	35,478	3.68%
2022	67,754	33,073	3.68%
2023	70,247	30,580	3.68%
2024	72,832	27,995	3.68%
2025	75,512	25,315	3.68%
2026	78,291	22,536	3.68%
2027	81,172	19,655	3.68%
2028	84,159	16,668	3.68%
2029	87,256	13,571	3.68%
2030	90,467	10,360	3.68%
2031	93,797	7,030	3.68%
2032	97,248	3,579	3.68%
	<u>\$ 1,309,248</u>	<u>\$ 504,637</u>	

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

N. GASB 68

The provisions of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The provision will require cost-sharing employers to recognize in the government-wide financial statements a liability for its proportionate share of the net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. The effect this new pronouncement will have on the government-wide financial statements of the County has not been determined. The County does not plan to implement early.

O. GASB 69

Government Combinations and Disposals of Government Operations is effective for periods beginning after December 15, 2013, and is not expected to impact the County's financial position.

P. GASB 70

Accounting and Financial Reporting for Nonexchange Financial Guarantees is effective for periods beginning after June 15, 2013, and is not expected to impact the County's financial position.

Q. Prior Period Adjustment

The beginning net position was adjusted by three items creating a net change of \$97,811.

The Capital Assets were adjusted for assets erroneously not being capitalized in prior years, this change increased capital assets in the amount of \$218,470.

The beginning net position was decreased by \$128,454 relating to previously capitalized bond issuance costs. GASB 65 required this restatement. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The remaining changes were due to the change in reporting of the Jail Commissary Fund from an agency fund to an special revenue fund with an increase to net position of \$7,789.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**LAMAR COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 8,475,721	\$ 8,475,721	\$ 8,535,362	\$ 59,641
Other Taxes	2,650,000	2,650,000	2,868,016	218,016
Intergovernmental Receipts	344,500	344,500	417,358	72,858
Fees of Office	1,120,800	1,120,800	1,158,258	37,458
Fines	235,000	235,000	247,848	12,848
Interest	76,000	76,000	91,806	15,806
Miscellaneous	183,338	183,338	251,322	67,984
Total revenues	<u>13,085,359</u>	<u>13,085,359</u>	<u>13,569,970</u>	<u>484,611</u>
Expenditures:				
Current:				
General Administration	2,101,882	2,101,882	1,929,071	172,811
Financial Administration	1,151,493	1,151,493	1,054,372	97,121
Judicial	1,598,312	1,598,312	1,540,671	57,641
Legal	911,843	911,843	846,087	65,756
Public Safety	5,601,812	5,601,812	5,244,334	357,478
Public Welfare	1,388,566	1,388,565	1,246,059	142,506
Conservation and Agriculture	108,893	108,893	101,892	7,001
Public Facilities	720,943	720,943	655,318	65,625
Emergency Management	40,055	40,055	36,081	3,974
Total expenditures	<u>13,623,799</u>	<u>13,623,798</u>	<u>12,653,885</u>	<u>969,913</u>
Excess (deficiency) of revenues (under) expenditures	(538,440)	(538,439)	916,085	1,454,524
Other financing sources (uses):				
Transfers out	(332,351)	(332,351)	(356,317)	23,966
Total other financing sources (uses)	<u>(332,351)</u>	<u>(332,351)</u>	<u>(356,317)</u>	<u>23,966</u>
Net change in fund balances	(870,791)	(870,790)	559,768	1,430,558
Fund balances/equity, October 1	8,905,399	8,905,399	8,905,399	--
Fund balances/equity, September 30	<u>\$ 8,034,608</u>	<u>\$ 8,034,609</u>	<u>\$ 9,465,167</u>	<u>\$ 1,430,558</u>

**LAMAR COUNTY, TEXAS**  
**ROAD & BRIDGE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
<i>Property Taxes</i>	\$ 2,082,408	\$ 2,082,408	\$ 2,097,190	\$ 14,782
<i>Intergovernmental Receipts</i>	40,000	40,000	71,887	31,887
<i>Fees of Office</i>	912,000	912,000	892,765	(19,235)
<i>Fines</i>	136,000	136,000	156,535	20,535
<i>Interest</i>	5,000	5,000	6,632	1,632
<i>Miscellaneous</i>	3,000	3,000	3,356	356
Total revenues	<u>3,178,408</u>	<u>3,178,408</u>	<u>3,228,365</u>	<u>49,957</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>Public Transportation</i>	4,158,752	4,158,752	3,307,045	851,707
Total expenditures	<u>4,158,752</u>	<u>4,158,752</u>	<u>3,307,045</u>	<u>851,707</u>
Excess (deficiency) of revenues (under) expenditures	(980,344)	(980,344)	(78,680)	901,664
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	220,000	220,000	220,000	--
<i>Proceeds from Sales of Capital Assets</i>	216,000	216,000	282,123	66,123
Total other financing sources (uses)	<u>436,000</u>	<u>436,000</u>	<u>502,123</u>	<u>66,123</u>
Net change in fund balances	(544,344)	(544,344)	423,443	967,787
Fund balances/equity, October 1	1,238,057	1,238,057	1,238,057	--
Fund balances/equity, September 30	<u>\$ 693,713</u>	<u>\$ 693,713</u>	<u>\$ 1,661,500</u>	<u>\$ 967,787</u>

**LAMAR COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS AND TREND INFORMATION  
 YEAR ENDED SEPTEMBER 30, 2014

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$ 21,499,937	\$ 25,564,424	\$ 4,064,487	84.10%	\$ 7,059,992	57.57%
12/31/12	19,856,565	23,993,386	4,136,821	82.76%	7,070,335	58.51%
12/31/11	19,158,056	22,719,091	3,561,035	84.33%	6,986,322	50.97%

The actuarial accrued liability was determined by the most recent actuarial report dated September 30, 2012. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, was determined as of this valuation date.

TREND INFORMATION FOR RETIREMENT PLAN FOR THE EMPLOYEES OF LAMAR COUNTY

Accounting Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
09/30/14	\$ 517,289	100%	--
09/30/13	443,526	100%	--
09/30/12	451,620	100%	--
09/30/11	438,463	100%	--
09/30/10	614,264	100%	--
09/30/09	554,174	100%	--
09/30/08	509,750	100%	--

OTHER POST EMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/12	\$ --	\$ 5,680,959	\$ 5,680,959	--	\$ 5,431,569	104.6%
09/30/14	--	4,639,931	4,639,931	--	6,351,411	73.1%

**LAMAR COUNTY, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

**Budgetary Data**

The official budget was prepared for adoption for the General Fund and the Road and Bridge Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in financial statements.

- a. Prior to beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year beginning. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioners' Court is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioner's Court.

Once a budget is approved, it can be amended only by approval of a majority of the Commissioners' Court. Amendments are presented to the Commissioners' Court at its regular meetings. Each amendment must have the Commissioners' Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court, and are not made after fiscal year end. During the year, the budget was amended as necessary. There were no significant amendments passed during the fiscal year. The budget is prepared on the modified accrual basis.

The legal level of budgetary control (level at which the governing body must approve any over expenditure) is at the category level. Categories are defined as: Personal Services, Supplies & Materials, Other Services & Charges, and Capital Outlay. Budget to actual comparisons are presented in the financial statements at the function level; however, a budget to actual comparison by category is available from the Lamar County Auditor's office at 119 North Main Street, Room 202, Paris, Texas 75462.

Excess of Expenditures Over Appropriations in Major Governmental Funds: The County expenditures did not exceed appropriations in the major governmental funds.

The following funds had legally adopted budgets:

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| General                           | Alternative Dispute Resolution       |
| Road and Bridge                   | District Clerk Records Management    |
| Estray and Jury                   | Victims Coordinator Grant            |
| State Aid Grant                   | State Homeland Security Grant        |
| Lateral Road                      | Juvenile Probation Title IV          |
| Law Library                       | Justice Court Technology             |
| County Clerks Records Management  | Justice Assistance Grant             |
| Indigent Health Care              | Juvenile Delinquency Prevention      |
| Court House Security              | Permanent Improvement                |
| County Records Management         | Commitment Reduction Grant           |
| County Clerk Records Archive Fund | Texas Parks & Wildlife Grant         |
| District Clerk Records Archive    | Judicial District Fund               |
| Court Record Preservation         | County and District Court Technology |
| Mental Health Services Grant      | Certificates of Obligation 2011      |
|                                   | Certificates of Obligation 2012      |

Budgets for the funds listed above are adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting.

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

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*

Board of Trustees  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Lamar County, Texas's basic financial statements, and have issued our report thereon dated February 22, 2016.

## Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Texas'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 instances of noncompliance or other matters that are required to

be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2014-2.

**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.

*Malnery, McNeal & Company PC*

Certified Public Accountants

February 22, 2016  
Paris, Texas

# Malnory, McNeal & Company, PC

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

We have audited the Lamar County, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lamar County, Texas's major federal programs for the year ended September 30, 2014. Lamar County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lamar County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lamar County, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lamar County, Texas's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Lamar County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of

findings and questioned costs as item 2014-1. Our opinion on each major federal program is not modified with respect to these matters.

### Report on Internal Control Over Compliance

Management of the Lamar County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lamar County, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lamar County, Texas's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-1 to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

February 22, 2016  
Paris, Texas

**LAMAR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Noncompliance material to financial statements noted?  X  Yes      No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?      Yes  X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant - Step Grant
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?      Yes  X  No

**LAMAR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**B. Financial Statement Findings**

Finding 2014-1

Criteria:

The financial management of the County should be such that the software system used is understood by staff. Reports and reconciliations should be prepared timely. Postings to the ledger should be timely and errors should be corrected timely. General ledger close procedures should be timely as well as completion of external single audit in accordance with A-133 by June 30, 2015.

Condition:

The County changed software providers and County Auditor during 2013 fiscal year. There were multiple problems with the software conversion and the County Auditor's office was not able to stay up to date with financial reporting under the new system. Bank reconciliations were not completed timely, monthly adjusting entries were delayed, and financial statement review and close was not possible on a timely basis. The annual audit was not able to be completed timely.

The Single Audit for the year ended September 30, 2014, was not completed until January 2016. It was required to be completed and submitted to the clearinghouse by June 30, 2015.

Cause:

The County changed software providers and County Auditor in 2013. The County Auditor was never able to get proficient with the software. The reports and reconciliations fell behind. The Auditor resigned in Fall of 2014.

Effect:

This combination of new software and new staff created a more than reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected on a timely basis. The Single Audit report was not completed on time nor was it submitted to the Single Audit Clearinghouse timely.

Finding 2014-2

Criteria:

The bond covenants require filing updated financial information and operating data with the Municipal Securities rule making board within six months after the end of the fiscal year.

Condition:

The September 30, 2014, financial information was not filed timely.

Cause:

See Finding 2014-1.

Effect:

The County is out of compliance with this requirement.

**LAMAR COUNTY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Federal Award Findings and Questioned Costs**

Programs: All Federal Funding

See Finding 2014-1 above for criteria, condition, cause and effect. This Finding is a Single Audit OMB A-133 Finding as well, because the Single Audit reporting was not completed within nine months of the year end.

Questioned Cost: \$0

Not a Repeat Finding for Single Audit: The County was not subject to A-133 in prior year nor has its Single Audit been late in previous years when the County was subject to A-133.

Recommendation:

We recommend the County strive to complete all future reports timely.

Views of Responsible Officials:

See Corrective Action Plan.

**LAMAR COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Finding/Recommendation	Current Status	Management's Explanatio If Not Implemented
2014-1		
<p>The County changed software providers and County Auditor during 2013 fiscal year. There were multiple problems with the software conversion and the County Auditor office was not able to stay up to date with financial reporting under the new system. Bank reconciliations were not completed timely, monthly adjusting entries were delayed, and financial statement review and close were not possible on a timely basis. The annual audit was not able to be completed timely.</p>	Correction in Progress	<p>The financial recording and monthly processing was significantly behind. The County has been working month to month to correct issues and prepare financials. The September 30, 2014, audit is being completed in January 2016. The September 30, 2015, audit is expected to be timely.</p>
<p>Recommendation:</p>		
Gain better understanding of new software.	In Progress	
Complete bank reconciliations timely	In Progress	
Perform month end financial statement preparation and close	In Progress	
Fill the vacancy in the County Auditor position	Completed	
Complete financial audit timely	In Progress	

**LAMAR COUNTY, TEXAS**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

2014-1

The County contracted with the person who had been the County Auditor for twenty- two years prior to his retirement. The general ledger posting was brought up to date and all reconciliations were completed. The County hired a new County Auditor. Her first day of employment was March 1, 2013. Completion of the September 30, 2013 and 2014, audits were made a priority along with bringing all processes of the County Auditor and Treasurer offices up to date. The County believes the audit for September 30, 2015, will be issued timely.

Contact: Kayla Hall, County Auditor

Completion Date: June 30, 2016

**LAMAR COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT C-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Department of Public Safety: State Homeland Security Program	97.067	EMW-2013-SS-00045	\$ 27,868
Total U.S. Department of Homeland Security			<u>27,868</u>
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Texas Parks and Wildlife: Texas Recreational Trails Fund *	20.219	PWD 1067B-P4000	180,166
Total U. S. Department of Transportation			<u>180,166</u>
<b>U. S. DEPARTMENT OF JUSTICE</b>			
Passed Through City of Paris, Texas: Edward Byrne Memorial Justice Assistance Grant *	16.738	2013-DJ-BX-0348	6,089
Total U. S. Department of Justice			<u>6,089</u>
<b>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
Passed Through TDHCA for HIPP: Home Investment Partnership	14.239	1001265	170,205
Passed Through TDA for CDBG: Community Development Block Grant *	14.228	712190	156,600
Total U. S. Department of Housing & Urban Development			<u>326,805</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Texas Department of Family and Protective Services: Foster Care Maintenance Title IV-E	93.658	27100	7,496
Total U. S. Department of Health and Human Services			<u>7,496</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 548,424</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

## **LAMAR COUNTY, TEXAS**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lamar County, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.