

LAMAR COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2013*

*Introductory Section*

Lamar County, Texas  
Annual Financial Report  
For The Year Ended September 30, 2013

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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 the Lamar County, Texas ("the County") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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, 2013, 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 2013, Lamar County, Texas adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 information and schedule of funding progress for OPEB benefits identified as 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2015 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.

*Malnory, McNeal & Company PC*

Certified Public Accountants

May 26, 2015  
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, 2013. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

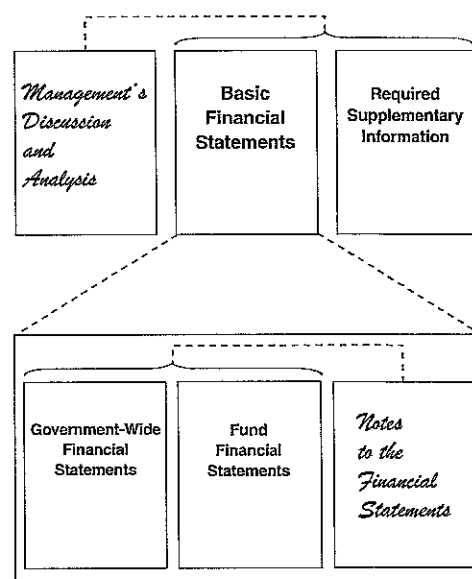
- The County's total combined Net Position were \$33,664,611 at September 30, 2013.
- During the year, the County's expenses were \$1,176,285 more than the \$19,519,984 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was 1.7% higher from last year.
- The unassigned fund balance of the general fund was \$6,929,671, or 56% 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.

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.

**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.

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

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 \$35,222,713 at September 30, 2013. (See Table A-1).

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

	Governmental Activities	
	2013	2012
<b>Assets:</b>		
Cash and cash equivalents	\$12,662,715	\$10,727,214
Investments	36,551	36,522
Receivables (net of allowances for uncollectibles):		
Interest	11,345	20,034
Taxes	1,095,043	1,024,094
Accounts	1,886,013	3,562,397
Due from other governments	507,565	605,125
Inventories	193,472	133,821
Capital assets (net, where applicable, of accumulated depreciation)	25,205,817	25,682,731
Bond Issuance Cost (net, of accumulated amortization)	128,454	145,543
Total Assets and Other Debits	<u>41,726,975</u>	<u>41,937,481</u>
<b>Liabilities:</b>		
Accounts payable and Accrued expenditures	1,047,866	542,661
Due to Other Funds	--	37,690
Noncurrent Liabilities:		
Due Within One Year	331,396	512,719
Due in More than One Year	6,282,061	6,195,477
Compensated Absences Payable	224,619	-
Unamortized Premium on Bonds	176,422	194,316
Total Liabilities	<u>8,062,364</u>	<u>7,482,863</u>
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	21,728,949	23,406,675
Restricted For:		
Federal and State Programs	186,479	307,589
Debt Service	129,762	73,850
Capital Projects	1,346,481	1,309,541
Indigent Care	211,379	113,240
Road & Bridge	--	730,686
Records Management	486,998	391,050
Judicial	189,041	186,346
Other Purposes	233,013	210,722
Unrestricted	9,152,509	8,724,919
Total Net Position	<u>\$33,664,611</u>	<u>\$34,454,618</u>

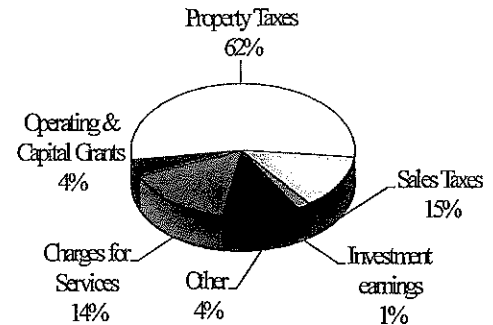
Approximately 3% of the County's restricted Net Position represent debt service funds. These funds, when spent, are restricted for the payment of Certificate of Obligation, Series 1999, 2011 & 2012 debt. The \$8,766,230 of unrestricted net asset represents resources available to fund the programs of the County next year.

**Changes in Net Position.** The County's total revenues were \$19,519,984. A significant portion, 62%, of the County's revenue comes from property taxes. (See Figure A-3.) 14% comes from charges for services, 15% came from sales tax and 4% from operating grants.

The total cost of all programs and services was \$18,751,888; 31% of these costs are for law enforcement services.

**Governmental Activities**

- Property tax rates increased by 5% and valuations increased nearly 1 percent. The increase in values enabled an increase of tax revenues to \$12,194,166.
- 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.



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

	Governmental Activities	
	2013	2012
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$2,631,128	\$2,508,095
Operating Grants and Contributions	840,004	984,179
<b>General Revenues:</b>		
Taxes	15,209,666	14,048,724
Grants and Contributions not Restricted to Specific Program	659,374	1,391,174
Unrestricted Investment Earnings	105,125	115,652
Gain on Sale of Non-Capitalized Equipment	32,178	16,100
Miscellaneous	42,509	127,542
<b>Total Revenues</b>	<b>19,519,984</b>	<b>19,191,466</b>
<b>Program Expenses:</b>		
General Administration	2,487,478	2,750,648
Financial Administration	1,018,071	933,530
Judicial	1,649,249	1,585,442
Legal	1,001,903	1,074,322
Public Safety	5,844,402	5,887,156
Emergency Mat.	23,835	--
Public Welfare	2,228,299	2,009,500
Public Transportation	3,378,885	3,700,312
Conservation and Agriculture	106,652	94,242
Public Facilities	860,523	899,684
Interest on Long-Term Debt	152,591	186,468
<b>Total Expenses</b>	<b>18,751,888</b>	<b>19,121,304</b>
<b>Special and Extraordinary Items:</b>		
Special Item Outflow	(1,558,102)	--
<b>Change in Net Position</b>	<b>(790,006)</b>	<b>70,162</b>
Net Position, October 1	34,454,617	34,384,456
Net Position, September 30	\$33,664,611	\$34,454,618

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

- The cost of all *governmental* activities this year was \$18,751,888.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$12,194,166.
- Some of the cost was paid by those who directly benefited from the programs \$2,631,128, or
- By grants and contributions \$840,004.

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

	Total Cost of Services		Net Cost of Services	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General administration	2,487,478	2,750,648	(2,043,475)	(2,028,429)
Public safety	5,844,402	5,887,156	(5,256,367)	(5,760,254)
Public welfare	2,228,299	2,009,500	(2,160,604)	(1,615,213)
Public transportation	3,378,895	3,700,312	(2,255,775)	(2,580,617)
Total of Selected Functions	<u>13,939,074</u>	<u>14,347,616</u>	<u>(11,716,721)</u>	<u>(11,984,513)</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 \$670,333. The increase was due to an increase in the tax rate. Fees, fines, and miscellaneous revenues were unchanged as demand for services remained stable. Intergovernmental revenues decreased by \$652,094 due to the county receiving less homeland security funds and other one-time grants.
- Expenditures in governmental funds decreased \$550,174 (3%) from prior year totals. The primary area of decreased expenditures was in general administration.

**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 \$6,929,671, while total fund balance reached \$8,905,399. 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 56% of total general fund expenditures and total fund balance represents 71% 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 \$958,410 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. 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 \$1,238,057, an increase of \$584,860. The main factor is the increase in tax revenues by \$221,094 and the decrease in operating expenditures.

**Debt Service Fund.** The debt service fund has a total fund balance of \$33,510, an increase of \$6,888 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 revised its budget one time, due to the receipt of unexpected revenues. Differences between original budget and the final amended budget in the general fund were minimal (a \$60,000 increase in appropriations), and were primarily for the following:

- Renewal of inmate phone contract.

Even with these adjustments, actual expenditures were \$821,220 below final budget amounts. The most significant positive variance resulted from operating costs in public safety. Personnel cost 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 decreased from the prior period.

On the other hand, resources available were \$645,213 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.
- Fees of office revenue increased due to a rise in fees from the tax collector-assessor office and the courts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2013, the County had invested \$50,971,408 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 \$740,388 or 1.5 percent from last year. This was mainly due to new equipment.

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

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 732,602	\$ 721,555
Buildings and improvements	20,919,532	20,840,402
Vehicles and equipment	8,640,254	7,990,043
Infrastructure	<u>20,679,020</u>	<u>20,679,020</u>
Totals at historical cost	50,971,408	50,231,020
Total accumulated depreciation	<u>(25,765,591)</u>	<u>(24,548,289)</u>
Net capital assets	<u>\$ 25,205,817</u>	<u>\$ 25,682,731</u>

The County's fiscal year 2013-14 capital budget projects spending \$1,200,827 for capital projects, principally to replace the HVAC system at the jail and restoration work in county buildings, along with the purchase of a new computer system and additional equipment for the county precincts. Also, the County will use monies to fund a right of way project. 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 \$4,574,919 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.

### Bond Ratings

The County's bonds presently carry an "Aa3" rating with Moody's Investor Services.

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

	Governmental Activities	
	2013	2012
Bonds payable	\$ 4,195,300	\$ 4,487,496
Capital lease payable	155,000	26,445
Compensated absences	224,619	194,079
Total long-term debt	\$ 4,574,919	\$ 4,708,020

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

- Appraised value used for the 2013-14 budget preparation is up \$111,141,281 million, or 4%.
- General operating fund spending increases in the 2012-13 budget from \$11,955,380 to \$12,459,368. This is a .5% increase.

These indicators were taken into account when adopting the general fund budget for 2013-14. During the current fiscal year, unassigned fund balance in the general fund increased to \$6,929,671. Lamar County appropriated \$437,613 of this amount for spending in the 2013-14 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 \$13,522,972 million. The increase is primarily due to increased operating costs and equipment. Employees received a \$1,750 pay raise for the 2013-14 fiscal year.

If these estimates are realized, the County's budgetary general fund balance is expected to see a decrease by the close of 2014.

### 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, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 12,662,715
<i>Investments</i>	36,551
Receivables ( net of allowances for uncollectibles):	
<i>Interest</i>	11,345
<i>Taxes</i>	1,095,043
<i>Accounts</i>	1,886,013
<i>Due from other governments</i>	507,565
<i>Inventories</i>	193,472
<i>Capital assets ( net, where applicable, of accumulated depreciation)</i>	
<i>Land</i>	732,602
<i>Buildings</i>	11,233,060
<i>Equipment</i>	2,947,509
<i>Infrastructure - Roads and Bridges</i>	10,292,646
<i>Bond Issuance Cost (net, of accumulated amortization)</i>	128,454
<b>Total Assets</b>	<u><u>41,726,975</u></u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	1,047,866
<i>Noncurrent Liabilities:</i>	
<i>Due Within One Year</i>	331,396
<i>Due in More than One Year</i>	6,282,061
<i>Compensated Absences Payable</i>	224,619
<i>Unamortized Premium on Bonds</i>	176,422
<b>Total Liabilities</b>	<u><u>8,062,364</u></u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	21,728,949
Restricted For:	
Federal and State Programs	186,479
Debt Service	129,762
Capital Projects	1,346,481
Indigent Care	211,379
Records Management	486,998
Judicial	189,041
Other Purposes	233,013
Unrestricted	9,152,509
<b>Total Net Position</b>	<u><u>\$ 33,664,611</u></u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
<i>General Administration</i>	\$ 2,487,478	\$ 434,003	\$ 10,000	\$ (2,043,475)
<i>Financial Administration</i>	1,018,071	525,443	--	(492,628)
<i>Judicial</i>	1,649,249	479,206	90,676	(1,079,367)
<i>Legal</i>	1,001,903	56,847	82,973	(862,083)
<i>Public Safety</i>	5,844,402	102,418	485,117	(5,256,867)
<i>Emergency Management</i>	23,835	--	--	(23,835)
<i>Public Welfare</i>	2,228,299	--	67,695	(2,160,604)
<i>Public Transportation</i>	3,378,885	1,033,211	89,899	(2,255,775)
<i>Conservation and Agriculture</i>	106,652	--	--	(106,652)
<i>Public Facilities</i>	860,523	--	13,644	(846,879)
<i>Interest on Long-Term Debt</i>	152,591	--	--	(152,591)
<b>Total Primary Government</b>	<b>\$ 18,751,888</b>	<b>\$ 2,631,128</b>	<b>\$ 840,004</b>	<b>(15,280,756)</b>
<b>General Revenues:</b>				
<b>Taxes</b>				
<i>Property Taxes</i>				12,194,166
<i>Sales Taxes</i>				3,015,500
<i>Grants and Contributions Not Restricted to Specific Programs</i>				659,374
<i>Unrestricted Investment Earnings</i>				105,125
<i>Gain on Sale of Non-Capitalized Equipment</i>				32,178
<i>Miscellaneous</i>				42,509
<b>Special and Extraordinary Items:</b>				
<i>Special Item Outflow</i>				(1,558,102)
<b>Total General Revenues</b>				<b>14,490,750</b>
<b>Change in Net Assets</b>				<b>(790,006)</b>
<b>Net Assets - Beginning</b>				<b>34,454,617</b>
<b>Net Assets - Ending</b>				<b>\$ 33,664,611</b>

The accompanying notes are an integral part of this statement.



**LAMAR COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	General Fund	Road & Bridge Fund
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
<b>Assets:</b>		
<i>Cash and cash equivalents</i>	\$ 8,575,576	\$ 1,146,063
<i>Investments</i>	32,633	868
Receivables ( net of allowances for uncollectibles):		
<i>Interest</i>	8,945	2,400
<i>Taxes</i>	763,062	188,706
<i>Accounts</i>	1,150,638	730,416
<i>Due from other governments</i>	453,709	--
<i>Inventories</i>	--	183,558
Total Assets	<u>\$ 10,984,563</u>	<u>\$ 2,252,011</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
<i>Accounts Payable &amp; Accrued Expenditures</i>	\$ 217,766	\$ 98,559
<i>Unearned Revenue</i>	1,861,398	915,395
Total Liabilities	<u>2,079,164</u>	<u>1,013,954</u>
 <b>Fund Balances:</b>		
<b>Nonspendable Fund Balances:</b>		
<i>Inventories</i>	--	--
<b>Restricted Fund Balances:</b>		
<i>Federal/State Funds Grant Restrictions</i>	--	--
<i>Other Restrictions of Fund Balance</i>	--	1,238,057
<b>Committed Fund Balance:</b>		
<i>OPEB Obligations</i>	1,975,728	--
Unassigned	6,929,671	--
Total Fund Balances	<u>8,905,399</u>	<u>1,238,057</u>
 Total Liabilities and Fund Balances	<u>\$ 10,984,563</u>	<u>\$ 2,252,011</u>

<u>Indigent Health Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 756,202	\$ 2,184,874	\$ 12,662,715
68	2,982	36,551
--	--	11,345
90,109	53,166	1,095,043
--	4,959	1,886,013
--	53,856	507,565
--	9,914	193,472
<u>\$ 846,379</u>	<u>\$ 2,309,751</u>	<u>\$ 16,392,704</u>
\$ 544,890	\$ 182,060	\$ 1,043,275
90,110	53,167	2,920,070
<u>635,000</u>	<u>235,227</u>	<u>3,963,345</u>
--	9,914	9,914
--	185,852	185,852
211,379	1,878,758	3,328,194
--	--	1,975,728
--	--	6,929,671
<u>211,379</u>	<u>2,074,524</u>	<u>12,429,359</u>
<u>\$ 846,379</u>	<u>\$ 2,309,751</u>	<u>\$ 16,392,704</u>

**LAMAR COUNTY, TEXAS**

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

Total fund balances - governmental funds balance sheet	\$ 12,429,359
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.	25,205,817
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,095,044
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,195,300)
Payables for capital leases which are not due in the current period are not reported in the funds.	(155,000)
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.	(224,619)
Accumulated accretion on capital appreciation bonds.	(287,429)
Accrued OPEB (Other Post Employment Benefit) obligations are not due and payable in the current period are not reported in the funds.	(1,975,728)
Fines receivable are not available to pay for current period expenditures and are deferred in the funds.	1,825,026
Bond issue costs are reported as expenditures in governmental funds but are capitalized and amortized over the life of the bonds in the SNP.	128,454
Unamortized premium on bonds, not reported in the SNP.	(176,422)
	<u>33,664,611</u>
Net position of governmental activities - Statement of Net Position	\$ <u>33,664,611</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, 2013

	General Fund	Road & Bridge Fund
Revenue:		
<i>Property Taxes</i>	\$ 8,446,662	\$ 2,088,860
<i>Other Taxes</i>	3,015,500	--
<i>Intergovernmental Receipts</i>	329,929	49,984
<i>Fees of Office</i>	1,170,613	903,524
<i>Fines</i>	264,380	129,687
<i>Interest</i>	94,297	4,372
<i>Miscellaneous</i>	247,303	11,058
Total revenues	<u>13,568,684</u>	<u>3,187,485</u>
Expenditures:		
Current:		
<i>General Administration</i>	1,825,839	--
<i>Financial Administration</i>	967,570	--
<i>Judicial</i>	1,533,372	--
<i>Legal</i>	822,610	--
<i>Public Safety</i>	5,237,627	--
<i>Public Welfare</i>	1,298,471	--
<i>Public Transportation</i>	--	2,794,987
<i>Conservation and Agriculture</i>	100,707	--
<i>Public Facilities</i>	649,337	--
<i>Emergency Management</i>	23,835	--
<i>Principal</i>	--	--
<i>Interest and fees</i>	--	--
Total expenditures	<u>12,459,368</u>	<u>2,794,987</u>
Excess (deficiency) of revenues (under) expenditures	1,109,316	392,498
Other financing sources (uses):		
<i>Transfers in</i>	--	--
<i>Transfers out</i>	(150,906)	--
<i>Proceeds from Sales of Capital Assets</i>	--	37,362
<i>Proceeds from Capital leases</i>	--	155,000
Total other financing sources (uses)	<u>(150,906)</u>	<u>192,362</u>
Net change in fund balances	958,410	584,860
Fund balances/equity, October 1	7,946,989	653,197
Fund balances/equity, September 30	<u>\$ 8,905,399</u>	<u>\$ 1,238,057</u>

The accompanying notes are an integral part of this statement.

Indigent Health Care	Other Governmental Funds	Total Governmental Funds
\$ 997,482	\$ 590,214	\$ 12,123,218
--	--	3,015,500
24,541	609,797	1,014,251
--	276,071	2,350,208
--	--	394,067
--	6,456	105,125
--	264,566	522,927
<u>1,022,023</u>	<u>1,747,104</u>	<u>19,525,296</u>
--	930,715	2,756,554
--	--	967,570
--	66,429	1,599,801
--	149,131	971,741
--	422,333	5,659,960
923,883	--	2,222,354
--	39,915	2,834,902
--	--	100,707
--	--	649,337
--	--	23,835
--	292,194	292,194
--	260,738	260,738
<u>923,883</u>	<u>2,161,455</u>	<u>18,339,693</u>
98,140	(414,351)	1,185,603
--	150,906	150,906
--	--	(150,906)
--	--	37,362
--	--	155,000
<u>--</u>	<u>150,906</u>	<u>192,362</u>
98,140	(263,445)	1,377,965
113,239	2,337,969	11,051,394
<u>\$ 211,379</u>	<u>\$ 2,074,524</u>	<u>\$ 12,429,359</u>

**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, 2013*

Net change in fund balances - total governmental funds	\$ 1,377,965
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	858,785
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,292,715)
The gain or loss on the sale of capital assets is not reported in the funds.	(5,184)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(37,800)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	70,948
Deferred fine revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(1,628,740)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	292,196
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	26,445
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(17,090)
The accretion of interest on capital appreciation bonds is not reported in the funds.	129,425
(Increase) decrease in accrued interest from beginning of period to end of period.	(4,191)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(30,540)
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(374,510)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(155,000)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>(790,006)</u></u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 1,814,323
Total Assets	<u>\$ 1,814,323</u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	\$ 128,757
<i>Due to Other Agencies</i>	279,999
<i>Due to Beneficiaries</i>	<u>1,405,567</u>
Total Liabilities	<u>\$ 1,814,323</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, 2013**

**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 units. 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.

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



**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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. The County reports the following 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.

**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.

**Indigent Health Care--Special Revenue Fund--**

This is a state mandated fund that requires Lamar County to budget 8% of all its tax revenues for the purpose of medical care expenses of persons found to be indigent. Guidelines for indigence are based on state requirements similar to other welfare guidelines. These funds are restricted in use.

In addition, the County reports the following fund types:

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

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

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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.

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 does not consider revenues collected after its year-end to be available in the current period. 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 when they become due or past due and receivable within the current period.

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

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

	General Fund	Road and Bridge Fund	Other Governmental	Total
Interest	\$ 8,945	\$ 2,400	\$ --	\$ 11,345
Delinquent Taxes Receivable	803,223	198,638	150,818	1,152,678
Less: Allowance for Uncollectibles	(40,161)	(9,932)	(7,541)	(57,634)
Net Delinquent Taxes Receivable	763,061	188,706	143,277	1,095,044
Fines Receivable	2,313,439	1,213,743	4,959	3,532,141
Less: Allowance for Uncollectibles	(1,162,802)	(483,327)	--	(1,646,129)
Net Fines Receivable	1,150,637	730,416	4,959	1,886,012
Net Total Receivables	\$ 1,922,643	\$ 921,522	\$ 148,235	\$ 2,992,401

e. Compensated Absences

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

f. 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.

g. 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 in 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	\$	186,479
Restricted for Debt Service		129,762
Restricted for Capital Projects		1,346,481
Restricted for Indigent Care		211,379
Restricted for Records Management		486,998

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Restricted for Judicial	189,041
Restricted for Other Purposes	233,013
Total	<u>\$ 1,120,431</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. Committed amounts cannot be used for any other purpose unless the Commissioners 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. 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 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 or by an official or body to which the Commissioners 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.

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

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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.

h. Use of Estimates

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

i. Debt Related Intangibles

Bond issuance cost are amortized in the government-wide financials over the life of the related bond using the straight line method. 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.

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.

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>
In the Estray & Jury fund the budget was exceeded in the Judicial category by \$367.	Noted appropriately
In the State Aid Grant fund the budget was exceeded in the Public Safety category by \$15,470.	Noted appropriately
In the Justice Assistance Grant the budget was exceeded in the Public Safety category by \$14.	Noted appropriately
In the Judicial District Fund the budget was exceeded in the General Administration category by \$1,645.	Noted appropriately
County failed to have the September 30, 2013 audit filed by deadline.	Noted appropriately

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:

Deficit

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<u>Fund Name</u>	<u>Amount</u>	<u>Remarks</u>
Judicial District Fund	\$ (1,130)	noted appropriately

**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, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,477,606 and the bank balance was \$11,378,251. The County's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texas Pool	N/A	\$ 35,985
Total Investments		\$ 35,985

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:

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.

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At September 30, 2013, 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:

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.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 721,555	\$ 11,047	\$ --	\$ 732,602
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>721,555</u>	<u>11,047</u>	<u>--</u>	<u>732,602</u>
<i>Capital assets being depreciated:</i>				
Road Network	20,679,020	--	--	20,679,020
Buildings and improvements	20,840,402	79,130	--	20,919,532
Equipment	7,990,043	779,656	129,445	8,640,254

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Total capital assets being depreciated	49,509,465	858,786	129,445	50,238,806
Less accumulated depreciation for:				
Road Network	(9,908,571)	(477,803)		(10,386,374)
Buildings and improvements	(9,397,829)	(288,643)	--	(9,686,472)
Equipment	(5,241,889)	(537,317)	(86,461)	(5,692,745)
Total accumulated depreciation	(24,548,289)	(1,303,763)	(86,461)	(25,765,591)
Total capital assets being depreciated, net	24,961,176	(444,977)	42,984	24,473,215
Governmental activities capital assets, net	\$ 25,682,731	\$ (433,930)	\$ 42,984	\$ 25,205,817

Depreciation was charged to functions as follows:

General Government	\$ 83,125
Judicial	3,440
Legal	1,930
Finance	26,723
Facilities	203,260
Safety	161,925
Transportation	343,086
	<u>\$ 1,303,763</u>

**E. Interfund Balances and Activity**

Transfers to and from other funds at September 30, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 150,906	Supplement other funds sources
	Total	<u>\$ 150,906</u>	

**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, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
1999 Certificate of Obligation	\$ 413,232	\$ --	\$ 212,196	\$ 201,036	\$ 201,036
2011 Certificate of Obligation					
Current Interest Bonds	240,000	--	40,000	200,000	40,000
Capital Apprec Bonds	1,689,248	--	--	1,689,248	--
Premium Capital Apprec bonds	70,016	--	--	70,016	--
2012 Tax Refunding Bonds	2,075,000	--	40,000	2,035,000	40,000
Total	<u>4,487,496</u>	<u>--</u>	<u>292,196</u>	<u>4,195,300</u>	<u>281,036</u>
Accumulated Accretion Capital					
Appreciation Debt Series '99	360,985	36,748	202,804	194,929	--
Accum Accretion CAB '11	34,503	49,519	--	84,022	--



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Accum Accretion Prem CAB '11	3,472	5,006	--	8,478	--
Premium CAB Series 2011	64,915	--	5,901	59,014	--
Prem Current Interest Bd '11	3,025	--	504	2,521	--
Premium 2012 Refunding Bds	126,376	--	11,489	114,887	--
	<u>593,276</u>	<u>91,273</u>	<u>220,698</u>	<u>463,851</u>	<u>--</u>
Amount Payable Under					
Capital Lease	26,445	155,000	26,445	155,000	50,360
Compensated absences *	194,079	103,835	73,295	224,619	224,619
OPEB Obligations *	1,601,217	689,467	314,956	1,975,728	--
	<u>1,821,741</u>	<u>948,302</u>	<u>414,696</u>	<u>2,355,347</u>	<u>274,979</u>
Total governmental activities	\$ <u>6,902,513</u>	\$ <u>1,039,575</u>	\$ <u>927,590</u>	\$ <u>7,014,498</u>	\$ <u>556,015</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

Debt service requirements on long-term debt at September 30, 2013, are as follows:

Year Ending September 30,	Certificate of Obligations 1999		
	Principal	Interest	Total
2014	\$ 201,036	\$ 213,964	415,000
Totals	\$ 201,036	\$ 213,964	\$ 415,000

The 1999 Certificates of Obligation were issued March 1, 1999, with semi-annual installment payments from September 1, 2007, through September 1, 2014, bearing interest rates of 4.65% to 4.75% depending on the year. See Schedule of Rates below.

1999 Certificates of Obligation

2013	4.70
2014	4.75

Year Ending September 30,	Certificate of Obligations 2011		
	Principal	Interest	Total
2014	\$ 40,000	\$ 4,000	\$ 44,000
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
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	\$ 1,959,264	\$ 662,736	\$ 2,622,000

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

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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
2014	\$ 40,000	\$ 51,100	\$ 91,100
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	2,550
Totals	<u>\$ 2,035,000</u>	<u>\$ 194,925</u>	<u>\$ 2,229,925</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, 2013, 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
2014	\$ 55,000	\$ 80,743	\$ 135,743
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>\$ 2,075,000</u>	<u>\$ 163,882</u>	<u>\$ 2,238,882</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2013, as follows:

Year Ending September 30:	Principal	Interest	Total
2014	\$ 50,360	\$ 4,262	\$ 54,622
2015	51,566	3,055	54,622
2016	53,074	1,548	54,622
Total Minimum Rentals	<u>\$ 155,000</u>	<u>\$ 8,865</u>	<u>\$ 163,866</u>

The effective interest rate on capital leases is 5.92%.

Leased equipment under capital lease in capital assets at September 30, 2013, included the following:

Asset:	Governmental Activities
Machinery and Equipment	\$ 205,000
Less: Accumulated Depreciation	9,225
Total	<u>\$ 195,775</u>

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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 2013, 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"). TAC is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC 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 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 517 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 determined annually. The employer contributed using the actuarially determined rate of 11.03% for the months of the accounting year 2012, and 10.33% for the months in the accounting year 2011

The contribution rate payable by the employee members for the calendar year 2012 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.

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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 \$443,526, and the actual contributions were \$721,767.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010, and December 31, 2011, the basis for determining the contribution rates for the calendar years 2010 and 2011. The December 31, 2012, actuarial valuation is the most recent valuation.

Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
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	SAF: 10 year smoothed value ESF: Fund value	SAF: 10 year smoothed value ESF: Fund value	SAF: 10 year smoothed value ESF: Fund value

Actuarial Assumptions:

Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.30%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living Adjustments	0.0%	0.0%	0.0%

Trend Information for Retirement Plan for the Employees of Lamar County

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-11		100%	--
9-30-10	\$614,264	100%	--
9-30-09	\$554,174	100%	--
9-30-08	\$509,750	100%	--
9-30-06	\$418,622	100%	--
9-30-05	\$478,104	100%	--

Transition Disclosure

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at the transition to that statement effective at the beginning of this accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid. There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

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

Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
Actuarial Valuation of Assets	18,131,667	19,158,056	19,856,565
Actuarial Accrued Liability (AAL)	21,219,060	22,719,091	23,993,386
Unfunded Actuarial Accrued Liability (UAAL)	3,087,393	3,561,035	4,136,821

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Funded Ratio	85.45%	84.33%	82.76%
Annual Covered Payroll (Actuarial)	6,865,583	6,986,322	7,070,335
UAAL as a % of Covered Payroll	44.97%	50.97%	58.51%

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, 2008, the County has health care coverage with United Health Care Insurance Company. The Lamar County Employee Health Plan participants are fully insured. The County contributed \$1,018 per month per employee to the Plan. 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, 2013.

K. Subsequent Events

Management has evaluated subsequent events through May 26, 2015, noted the following subsequent events that should be reported:

L. GASB 63

The provisions of the statement were effective for financial statements for periods beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County implemented the provision during the current fiscal year. The implementation does not appear to have any monetary effect on the County's financial statements.

M. GASB 65

The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, earlier application is encouraged. This statement establishes accounting and financial reporting standards that reclassifies, 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 effect of this statement on the financials of the County will effect previously capitalized bond issuance costs which will be expensed resulting in a decrease in net position of \$128,545. The County does not plan to implement early.

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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. Excess of Expenditures Over Appropriations

The following funds incurred expenditures that were in excess of the appropriations.

<u>Fund</u>	<u>Function/Program</u>	<u>Amount</u>
Estray & Jury	Judicial	\$ 367
State Aid Grant	Public Safety	15,470
Justice Assistance Grant	Public Safety	14

R. 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 TCERS, with 30 years service in TCERS at any age, or when the sum of his or her age and years of service in TCERS 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 and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The

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annual OPEB cost for the fiscal year ending September 30, 2012, is as follows:

	09/30/2011	09/30/2012	09/30/2013
Annual Required Contribution	\$ 646,264	\$ 665,652	\$ 684,170
Interest on Net OPEB Obligation	31,339	50,984	72,055
Adjustment to Annual Required Contribution	(29,035)	(47,236)	(66,758)
Annual OPEB cost (expense) end of year	648,568	669,400	689,467
Net estimated employer contributions	(212,015)	(201,160)	(314,956)
Increase (decrease) in net OPEB Obligation (asset)	436,553	468,240	374,511
Net OPEB Obligation -- as of beginning of the year	\$ 696,424	\$ 1,132,977	\$ 1,601,217
Net OPEB Obligation (asset) -- as of end of year	\$ 1,132,977	\$ 1,601,217	\$ 1,975,728

**Funding Status and Funding Progress**

The funded status of the County's retiree health care plan, under GASB No. 45 as of September 30, 2012, is as follows:

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

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 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**

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

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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.

S. Sulphur River Region Mobility Authority 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 (%)
2014	\$ 50,743	\$ 50,084	3.68%
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%

T. Special Item

The special item was created when the fines and court cost receivable and allowance for uncollectible estimate was re-evaluated for the general fund and road and bridge fund during the year, this created a net adjustment of \$1,558,102 to the financial statements.



### *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, 2013**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property Taxes</i>	\$ 8,418,371	\$ 8,418,371	\$ 8,446,662	\$ 28,291
<i>Other Taxes</i>	2,550,000	2,550,000	3,015,500	465,500
<i>Intergovernmental Receipts</i>	355,200	355,200	329,929	(25,271)
<i>Fees of Office</i>	1,070,000	1,070,000	1,170,613	100,613
<i>Fines</i>	225,000	225,000	264,380	39,380
<i>Interest</i>	94,200	94,200	94,297	97
<i>Miscellaneous</i>	150,700	210,700	247,303	36,603
Total revenues	<u>12,863,471</u>	<u>12,923,471</u>	<u>13,568,684</u>	<u>645,213</u>
Expenditures:				
Current:				
<i>General Administration</i>	1,931,000	1,931,000	1,825,839	105,161
<i>Financial Administration</i>	1,025,235	1,025,235	967,570	57,665
<i>Judicial</i>	1,596,995	1,596,995	1,533,372	63,623
<i>Legal</i>	880,617	880,617	822,610	58,007
<i>Public Safety</i>	5,571,135	5,631,135	5,237,627	393,508
<i>Public Welfare</i>	1,380,767	1,380,767	1,298,471	82,296
<i>Conservation and Agriculture</i>	106,562	106,562	100,707	5,855
<i>Public Facilities</i>	703,305	703,305	649,337	53,968
<i>Emergency Management</i>	24,972	24,972	23,835	1,137
Total expenditures	<u>13,220,588</u>	<u>13,280,588</u>	<u>12,459,368</u>	<u>821,220</u>
Excess (deficiency) of revenues (under) expenditures	(357,117)	(357,117)	1,109,316	1,466,433
Other financing sources (uses):				
<i>Transfers out</i>	(213,905)	(231,905)	(150,906)	62,999
Total other financing sources (uses)	<u>(213,905)</u>	<u>(213,905)</u>	<u>(150,906)</u>	<u>62,999</u>
Net change in fund balances	(571,022)	(571,022)	958,410	1,529,432
Fund balances/equity, October 1	7,946,989	7,946,989	7,946,989	--
Fund balances/equity, September 30	<u>\$ 7,375,967</u>	<u>\$ 7,375,967</u>	<u>\$ 8,905,399</u>	<u>\$ 1,529,432</u>

**LAMAR COUNTY, TEXAS**  
**ROAD & BRIDGE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property Taxes</i>	\$ 2,081,874	\$ 2,081,874	\$ 2,088,860	\$ 6,986
<i>Intergovernmental Receipts</i>	40,000	40,000	49,984	9,984
<i>Fees of Office</i>	912,000	912,000	903,524	(8,476)
<i>Fines</i>	152,000	152,000	129,687	(22,313)
<i>Interest</i>	5,000	5,000	4,372	(628)
<i>Miscellaneous</i>	3,000	3,000	11,058	8,058
Total revenues	<u>3,193,874</u>	<u>3,193,874</u>	<u>3,187,485</u>	<u>(6,389)</u>
Expenditures:				
Current:				
<i>Public Transportation</i>	3,834,648	3,789,648	2,794,987	994,661
Total expenditures	<u>3,834,648</u>	<u>3,789,648</u>	<u>2,794,987</u>	<u>994,661</u>
Excess (deficiency) of revenues (under) expenditures	(595,774)	(595,774)	392,498	988,272
Other financing sources (uses):				
<i>Proceeds from Sales of Capital Assets</i>	233,000	233,000	37,362	(195,638)
<i>Capital leases</i>	--	--	155,000	155,000
Total other financing sources (uses)	<u>233,000</u>	<u>233,000</u>	<u>192,362</u>	<u>(40,638)</u>
Net change in fund balances	(362,774)	(362,774)	584,860	947,634
Fund balances/equity, October 1	653,197	653,197	653,197	--
Fund balances/equity, September 30	<u>\$ 290,423</u>	<u>\$ 290,423</u>	<u>\$ 1,238,057</u>	<u>\$ 947,634</u>

**LAMAR COUNTY, TEXAS**  
**INDIGENT HEALTH CARE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-3**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property Taxes</i>	\$ 994,123	\$ 994,123	\$ 997,482	\$ 3,359
<i>Intergovernmental Receipts</i>	50,000	50,000	24,541	(25,459)
Total revenues	<u>1,044,123</u>	<u>1,044,123</u>	<u>1,022,023</u>	<u>(22,100)</u>
Expenditures:				
Current:				
<i>Public Welfare</i>	1,072,305	1,072,305	923,883	148,422
Total expenditures	<u>1,072,305</u>	<u>1,072,305</u>	<u>923,883</u>	<u>148,422</u>
Excess (deficiency) of revenues (under) expenditures	(28,182)	(28,182)	98,140	126,322
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(28,182)	(28,182)	98,140	126,322
Fund balances/equity, October 1	113,239	113,239	113,239	--
Fund balances/equity, September 30	<u>\$ 85,057</u>	<u>\$ 85,057</u>	<u>\$ 211,379</u>	<u>\$ 126,322</u>

**LAMAR COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**LAMAR COUNTY**  
**YEAR ENDED SEPTEMBER 30, 2013**

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)
06/30/08	\$ --	\$ 2,764,952	\$ 2,764,952	--	\$ 4,913,095	56.3%
09/30/10	--	4,866,951	4,866,951	--	5,288,184	92.0%
09/30/12	--	5,680,959	5,680,959	--	5,431,569	104.6%

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.

**Schedule of Employer Contributions**

The schedule below reports contributions made by the employer for Other Post Employment Benefits (OPEB).

Year Ended	ARC	Contributions Made	Percentage of ARC Contributed
09/30/09	\$ 348,577	\$ 122,422	35.1%
09/30/10	627,441	157,920	25.1%
09/30/11	646,264	212,015	32.8%
09/30/12	665,652	201,160	30.2%

# LAMAR COUNTY, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2013

### 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 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 exceeded appropriations in the following major governmental funds in the noted function category: General Fund in the functions: Administration and Public Facilities

The following funds had legally adopted budgets:

General	County Clerk Records Archive
Road and Bridge	District Clerk Records Management
Estray and Jury	Victims Coordinator Grant
State Aid Grant	Graffiti Eradication
Lateral Road	Alternative Dispute Resolution
Law Library	Justice Court Technology Fund
County Clerks Records Management	Justice Assistance Grant
Indigent Health Care	Records Management Fund - County Clerk
Court House Security	Permanent Improvement Fund
County Records Management	Commitment Reduction Grant
Records Archive Fund - County Clerk	Surrma Fund
District Clerk Records Archive	Judicial District Fund
Court Record Preservation Fund	County and District Court Technology Fund
Mental Health Services Grant #N	Refunding Bond Series 1993
CO 2011	

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, 2013, 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 28, 2015.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Lamar County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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, we identified certain deficiencies in internal control that we consider to be material weaknesses: 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 was not possible on a timely basis. The annual audit was not able to be completed timely. This combination of deficiencies resulted in a reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected on a timely basis.

*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 above paragraph to be a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 relates to the material weakness stated above, in where the County failed to comply with the bond convenance of filing updated financial information and operating data with the Municipal Securities Rulemaking Board within six months after the end of the fiscal year ending in September 30, 2013.

## 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

May 26, 2015  
Paris, Texas