

SABINE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

Sabine County, Texas
Annual Financial Report
For The Year Ended December 31, 2013

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Financial Section

Halls, Johnson, McLemore & Redfield, LLP
1329 N. University Dr., Suite A3
Nacogdoches, TX 75961

Independent Auditor's Report

To the Board of Trustees
Sabine County, Texas
P.O. Box 597
Hemphill, Texas 75948

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 Sabine County, Texas ("the County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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 Sabine County, Texas as of December 31, 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

As described in Note A to the financial statements, in 2013, Sabine 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 and budgetary comparison information 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine County, Texas's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014 on our consideration of Sabine 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 Sabine County, Texas's internal control over financial reporting and compliance.

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, TX
July 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Sabine County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 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 was \$11,223,460 at December 31, 2013, a decrease of \$559,317 from the prior year.
- Total government-wide revenues for the current year were \$6,028,683 compared to \$5,128,872 in the prior year, an increase of \$899,811 or 18%.
- During the current year, the County's expenses were \$3,748,478 more than the \$2,839,522 generated in taxes and other revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$2,705,367.

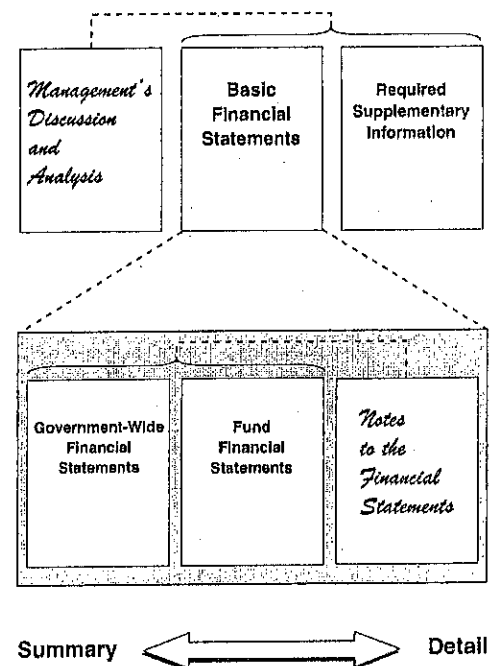
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
- *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.

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



Government-wide Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position (the difference between the County's assets and deferred outflows and liabilities and deferred inflows) are 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 non-financial factors such as changes in the County's tax base, per-capita income, or population.

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 administration, judicial and law enforcement, maintenance of highways and streets, and enhancing the health and wellbeing of the citizens. 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 or by debt covenants.
- The County Commissioners establish 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 flows 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.
- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for certain funds. 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 assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. The County's fiduciary funds consist of money held by the fee offices on behalf of court claimants and other organizations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the County as a whole. The County's combined net position at the fiscal year end was \$11,223,460. The following table provides a summary of the County's net position:

	12/31/2013	12/31/2012	Amount of Change	% Change
Current and other assets	\$ 9,102,308	\$ 8,555,871	\$ 546,437	6.39%
Capital assets	3,351,300	3,741,837	(390,537)	-10.44%
Total assets	<u>12,453,608</u>	<u>12,297,708</u>	<u>155,900</u>	<u>1.27%</u>
Current liabilities	1,053,933	171,845	882,088	513.30%
Long term liabilities	176,215	343,086	(166,871)	-48.64%
Total liabilities	<u>1,230,148</u>	<u>514,931</u>	<u>715,217</u>	<u>138.90%</u>
Net position				
Invested in capital assets	3,119,884	3,398,751	(278,867)	-8.20%
Restricted	4,465,923	5,165,692	(699,769)	-13.55%
Unrestricted	3,637,653	3,218,334	419,319	13.03%
Total net position	<u>\$ 11,223,460</u>	<u>\$ 11,782,777</u>	<u>\$ (559,317)</u>	<u>-4.75%</u>

Net assets of the County's governmental activities decreased by \$559,317 during the year ending December 31, 2013, down 4.75% from the prior year. However some of this net position are either restricted as to the purposes they can be used for, or are invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net position totaled \$3,637,653 at year end. The decrease in net position was expected, as the County budgeted that the overage in spending for 2013 would come out of its fund balance.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,588,000.
- The amount that our taxpayers paid for these activities through property taxes was \$2,320,380.
- Some of the cost was paid by those who directly benefited from service (\$1,025,192) and from operating grants and contributions (\$2,163,969).
- For 2013 the property tax rate was \$.39643/\$100 valuation and the taxable appraised value was \$558,330,146. The tax assessment, levied on October 1, 2013, was \$2,380,856, with collections through December 31, 2013 totaling \$1,523,289. The annual tax collection for 2013 was approximately 96% of the tax assessment.

The following table provides a summary of the County's operational activities and changes in net position:

Summary of Activities & Changes in Net Assets
Government-Wide Activities

	12/31/2013	12/31/2012	Amount of Change	% Change
Program revenues:				
Charges for services	\$ 1,025,192	\$ 893,645	\$ 131,547	14.72%
Operating grants/contributions	2,163,969	1,244,324	919,645	73.91%
Capital grants/contributions	-	-	-	n/a
General revenues:				
Property taxes	2,320,380	2,189,190	131,190	5.99%
Sales taxes	317,625	360,209	(42,584)	-11.82%
Other taxes	536	2,396	(1,860)	-77.63%
Intergovernmental revenues	-	114,537	(114,537)	-100.00%
Fines and Fees	65,514	75,899	(10,385)	-13.68%
Interest income	101,502	122,172	(20,670)	-16.92%
Other income	33,965	88,839	(54,874)	-61.77%
Gain on Sale of Assets	-	37,662	(37,662)	-100.00%
Total revenues/contributions	<u>6,028,683</u>	<u>5,128,873</u>	<u>899,810</u>	<u>17.54%</u>
Expenses:				
General government	875,180	850,657	24,523	2.88%
Judicial	538,483	493,960	44,523	9.01%
Legal	124,172	119,252	4,920	4.13%
Financial administration	554,521	460,196	94,325	20.50%
Public Safety	1,354,514	1,224,649	129,865	10.60%
Highways and streets	1,637,590	1,708,373	(70,783)	-4.14%
Conservation	32,263	19,513	12,750	65.34%
Pass-through to other entities	1,460,644	-	1,460,644	
Interest on long-term debt	10,633	5,606	5,027	89.67%
Total expenses	<u>6,588,000</u>	<u>4,882,206</u>	<u>1,705,794</u>	<u>34.94%</u>
Revenues over (under) expenses	<u>(559,317)</u>	<u>246,667</u>	<u>(805,984)</u>	<u>-326.75%</u>
Change in net assets	<u>(559,317)</u>	<u>246,667</u>	<u>(805,984)</u>	<u>-326.75%</u>
Beginning net position	11,782,777	11,536,110	246,667	2.14%
Ending net position	<u>\$ 11,223,460</u>	<u>\$ 11,782,777</u>	<u>\$ (559,317)</u>	<u>-4.75%</u>

During 2013, the County received federal forest funds from the Federal government, which are recorded as operating grants/contributions. The total amount of federal forest money received decreased by \$797,957 or 42% from 2012, but half of these funds are payable to the local school districts upon receipt, leaving a net decrease in federal forest funds to the County of \$398,968. The \$131,190 increase property tax revenue is attributed to a slight increase in the base appraised value of less than 1% for 2013.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types totaled \$5,937,882, and are summarized below:

Summary of Revenues Governmental Funds				
	12/31/2013	12/31/2012	Amount of Change	% Change
Taxes	\$ 2,558,566	\$ 2,440,844	\$ 117,722	4.82%
Intergovernmental	2,279,306	1,361,971	917,335	67.35%
Fees	893,643	910,589	(16,946)	-1.86%
Fines	48,661	37,278	11,383	30.54%
Interest Income	101,501	122,172	(20,671)	-16.92%
Other Income	56,205	107,405	(51,200)	-47.67%
Total Governmental Revenues	<u>\$ 5,937,882</u>	<u>\$ 4,980,259</u>	<u>\$ 957,623</u>	<u>19.23%</u>

Intergovernmental revenues are reporting a significant increase in government grant funds during the year, due to CDBG Disaster grant proceeds of \$841,919. Expenditures from governmental fund types totaled \$6,309,134, and are summarized below:

Summary of Expenditures Governmental Funds			
	12/31/2013	12/31/2012	Amount of Change
General government	\$ 932,564	\$ 1,022,613	\$ (90,049)
Judicial	516,083	476,612	39,471
Legal	124,172	119,252	4,920
Financial administration	546,142	450,610	95,532
Public safety	1,340,255	1,316,492	23,763
Highways and streets	1,234,707	2,156,439	(921,732)
Conservation	32,263	19,513	12,750
Pass-through to other entities	1,460,644	-	1,460,644
Debt service	122,304	5,606	116,698
Total Governmental Expenditures	<u>\$ 6,309,134</u>	<u>\$ 5,567,137</u>	<u>\$ 741,997</u>

The most significant change in general government expenditures relates to highway and street expenditures, which decreased \$921,732 due to the decrease in federal forest revenues.

The fund balances for the County's governmental funds are summarized below:

Summary of Fund Balances				
Governmental Funds				
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>Amount of</u> <u>Change</u>	<u>% Change</u>
General Fund	\$ 2,705,367	\$ 2,861,557	\$ (156,190)	-5.46%
Special Revenue Funds	<u>4,465,922</u>	<u>4,680,984</u>	<u>(215,062)</u>	<u>-4.59%</u>
Total fund balance (deficit)	<u>\$ 7,171,289</u>	<u>\$ 7,542,541</u>	<u>\$ (371,252)</u>	<u>-4.92%</u>

The \$215,062 decrease in the balance of Special Revenue Funds can be mainly attributed to decreases in the Road and Bridge fund balances. Revenues from federal forest and mineral receipts for 2013 were lower than the 2012 receipts resulting in decreases to each of the Road and Bridge fund balances.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget and the road and bridge fund budget several times. Even with these adjustments, actual general fund expenditures were \$68,031 below final budget amounts. The most significant positive variance from the County's 2013 final budget as compared to the actual expenditures was in the judicial court department, which had a positive variance of \$19,201. The budget included amounts for court appointed attorneys and jury costs which were not required to be used.

Revenues were \$11,798 below the final budgeted revenues, primarily due to the budgeted amount for miscellaneous income not being realized by a shortage of \$43,362.

Taking both budget factors into account, the County experienced a decrease in the fund balance of the General fund of \$156,190, when the final budget called for a decrease in fund balance of \$212,423 an overall positive variance of \$56,233.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2013, the County had invested \$10,322,971 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$129,467 over last year.

Summary of the County's Capital Assets

	Governmental Activities		Amount of Change	% Change
	<u>12/31/2013</u>	<u>12/31/2012</u>		
Land	\$ 120,714	\$ 120,714	\$ -	0.00%
Buildings and Improvements	1,216,025	985,221	230,804	23.43%
Equipment and vehicles	4,053,548	3,965,721	87,827	2.21%
Roads and Bridges	4,932,684	4,932,684	-	0.00%
Construction in progress	-	189,164	(189,164)	-100.00%
Total Capital Assets	<u>\$ 10,322,971</u>	<u>\$ 10,193,504</u>	<u>\$ 129,467</u>	<u>1.27%</u>

Long Term Debt

At year-end the County had \$231,416 in capital leases payable, as compared to \$343,087 outstanding as of December 31, 2012. The capital lease is for a Gradall with an interest rate of 3.895%. Total payments for the year ended December 31, 2013 were \$122,303, of which \$111,671 was principal, and \$10,632 was interest.

Summary of the County's Debt

	Governmental Activities		Amount of Change	% Change
	12/31/2013	12/31/2012		
Capital leases				
Equipment-Gradall	\$ 231,416	\$ 286,307	\$ (54,891)	-19.17%
Netdata software (Sheriff)	-	6,245	(6,245)	-100.00%
J.Deere motor grader (R&B 1)	-	50,535	(50,535)	-100.00%
	<u>\$ 231,416</u>	<u>\$ 343,087</u>	<u>\$ (111,671)</u>	<u>-32.55%</u>

There have been no plans made to obtain additional long term financing. No changes have occurred in credit ratings or interest rates on existing debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2014 budget preparation is estimated to be approximately \$561,023,266 which is an increase of 0.48% from the 2013 appraised values of \$558,330,143.
- Tax rate for 2014 budget is \$0.42643 per \$100 valuation.

These indicators were taken into account when adopting the general fund budget for 2014. Expenditures in the general fund 2014 budget are \$3,376,281, a decrease of \$75,595 or 2.19% over the final 2013 budget of \$3,451,876. Property taxes may increase slightly due to possible increasing taxable values. The County has added no major new programs or initiatives to the 2014 budget.

If these estimates are realized, the County's budgetary general fund balance is not expected to change appreciably by the close of fiscal 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 following:

Tricia Jacks, County Treasurer
PO Box 597
Hemphill, TX 75948
Phone: 409-787-2210
Fax: 409-787-4973

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Basic Financial Statements

SABINE COUNTY, TEXAS

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,963,850
Receivables (net of allowances for uncollectibles):	
Property Taxes Receivable	932,286
Due from State	868,097
Due from Other Governments	5,585
Due from Agency Funds	332,490
Capital Assets (net of accumulated depreciation):	
Land	120,714
Buildings & Improvements	455,770
Machinery and Equipment	967,970
Vehicles	395,090
Roads and Bridges	1,411,756
Total Assets	<u>12,453,608</u>
LIABILITIES	
Accounts Payable	880,347
Accrued Employee Benefits	55,791
Due to Other Beneficiaries	4,559
Due to State	58,035
Noncurrent Liabilities-	
Due within one year	54,581
Due in more than one year	176,835
Total Liabilities	<u>1,230,148</u>
NET POSITION	
Net Investment in Capital Assets	3,119,884
Restricted For:	
Construction	50,681
Federal and State Grants	121,517
Hotel / Motel Tax	69,207
Record Retention	122,903
Judicial & Law Enforcement	37
Road & Bridge Maintenance	4,101,578
Unrestricted	3,637,653
Total Net Position	<u>\$ 11,223,460</u>

The accompanying notes are an integral part of this statement.

SABINE COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
General government	\$ 875,180	\$ 169,635	\$ 47,978	\$ (657,567)
Judicial	538,483	170,426	13,914	(354,143)
Legal	124,172	--	35,000	(89,172)
Public safety	1,354,514	77,242	--	(1,277,272)
Highways and streets	1,637,590	477,879	606,433	(553,278)
Financial administration	554,521	130,010	--	(424,511)
Conservation	32,263	--	--	(32,263)
Pass-through to other entities	1,460,644	--	1,460,644	--
Interest on long-term debt	10,633	--	--	(10,633)
Total Governmental Activities	<u>6,588,000</u>	<u>1,025,192</u>	<u>2,163,969</u>	<u>(3,398,839)</u>
Total Primary Government	<u>\$ 6,588,000</u>	<u>\$ 1,025,192</u>	<u>\$ 2,163,969</u>	<u>(3,398,839)</u>
General Revenues:				
Property Taxes				2,320,380
Sales Taxes				317,625
Other Taxes				536
Fines and Fees				65,514
Interest Income				101,502
Other Income				33,965
Transfers				--
Total General Revenues and Transfers				<u>2,839,522</u>
Change in Net Position				<u>(559,317)</u>
Net Position - Beginning				<u>11,782,777</u>
Net Position - Ending				<u>\$ 11,223,460</u>

The accompanying notes are an integral part of this statement.

SABINE COUNTY, TEXASBALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	CDBG Disaster Recovery	Road & Bridge #1
ASSETS			
Cash and Cash Equivalents	\$ 2,486,120	\$ --	\$ 1,199,058
Receivables (net of allowances for uncollectibles):			
Taxes	932,286	--	--
Due from Others	--	--	--
Due from State	26,178	841,919	--
Due from Agency Funds	323,869	--	1,348
Total Assets	<u>3,768,453</u>	<u>841,919</u>	<u>1,200,406</u>
LIABILITIES			
Accounts Payable	\$ 27,572	\$ 841,919	\$ 1,419
Accrued Compensation and Other Benefits	40,634	--	4,816
Due to Other Beneficiaries	4,559	--	--
Due to State	58,035	--	--
Total Liabilities	<u>130,800</u>	<u>841,919</u>	<u>6,235</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	932,286	--	--
Total Deferred Inflows of Resources	<u>932,286</u>	<u>--</u>	<u>--</u>
FUND BALANCES (DEFICITS)			
Restricted Fund Balances:			
Restricted for Road and Bridge Maintenance	--	--	1,194,171
Restricted for Hotel/Motel Tax	--	--	--
Restricted for Federal and State Grants	--	--	--
Restricted for Construction	--	--	--
Restricted for Record Retention	--	--	--
Restricted for Judicial & Law Enforcement	--	--	--
Unassigned Fund Balance	2,705,367	--	--
Total Fund Balance	<u>2,705,367</u>	<u>--</u>	<u>1,194,171</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,768,453</u>	<u>\$ 841,919</u>	<u>\$ 1,200,406</u>

The accompanying notes are an integral part of this statement.

Road & Bridge #2	Road & Bridge #3	Road & Bridge #4	Other Governmental Funds	Total Governmental Funds
\$ 864,328	\$ 792,639	\$ 1,260,674	\$ 361,030	\$ 6,963,849
--	--	--	--	932,286
--	--	--	5,585	5,585
--	--	--	--	868,097
1,405	1,405	1,461	3,002	332,490
<u>865,733</u>	<u>794,044</u>	<u>1,262,135</u>	<u>369,617</u>	<u>9,102,307</u>
\$ 155	\$ 120	\$ 3,889	\$ 5,273	\$ 880,347
4,198	4,285	1,858	--	55,791
--	--	--	--	4,559
--	--	--	--	58,035
<u>4,353</u>	<u>4,405</u>	<u>5,747</u>	<u>5,273</u>	<u>998,732</u>
--	--	--	--	932,286
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>932,286</u>
861,380	789,639	1,256,388	--	4,101,578
--	--	--	69,207	69,207
--	--	--	121,517	121,517
--	--	--	50,681	50,681
--	--	--	122,902	122,902
--	--	--	37	37
--	--	--	--	2,705,367
<u>861,380</u>	<u>789,639</u>	<u>1,256,388</u>	<u>364,344</u>	<u>7,171,289</u>
\$ <u>865,733</u>	\$ <u>794,044</u>	\$ <u>1,262,135</u>	\$ <u>369,617</u>	\$ <u>9,102,307</u>

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

Total fund balances - governmental funds balance sheet	\$ 7,171,289
--	--------------

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.	3,351,300
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	932,286
Payables for capital leases which are not due in the current period are not reported in the funds.	(231,416)
Rounding difference	<u>1</u>

Net position of governmental activities - Statement of Net Position	<u>\$ 11,223,460</u>
---	----------------------

The accompanying notes are an integral part of this statement.

SABINE COUNTY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	CDBG Disaster Recovery	Road & Bridge #1
Revenue:			
Taxes	\$ 2,558,566	\$ --	\$ --
Intergovernmental	211,525	841,919	145,545
Fees	341,299	--	109,710
Fines	48,681	--	--
Interest Income	39,423	--	18,938
Other Income	3,181	--	8,546
Total Revenue	<u>3,202,655</u>	<u>841,919</u>	<u>282,739</u>
Expenditures:			
Current:			
General government	819,545	--	--
Judicial	515,118	--	--
Legal	124,172	--	--
Public safety	1,340,255	--	--
Highways and streets	--	--	277,047
Financial administration	546,142	--	--
Conservation	32,263	--	--
Pass-through to other entities	--	841,919	--
Debt service:			
Principal	6,245	--	64,259
Interest	105	--	3,998
Total Expenditures	<u>3,383,845</u>	<u>841,919</u>	<u>345,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(181,190)</u>	<u>--</u>	<u>(62,565)</u>
Other Financing Sources (Uses):			
Operating Transfers In	25,000	--	--
Operating Transfers Out	--	--	--
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>(156,190)</u>	<u>--</u>	<u>(62,565)</u>
Fund Balances - Beginning	2,861,557	--	1,256,736
Fund Balances - Ending	<u>\$ 2,705,367</u>	<u>\$ --</u>	<u>\$ 1,194,171</u>

The accompanying notes are an integral part of this statement.

Road & Bridge #2	Road & Bridge #3	Road & Bridge #4	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ --	\$ 2,558,566
151,608	151,608	157,672	619,429	2,279,306
114,027	114,027	118,344	96,236	893,643
--	--	--	--	48,661
13,252	13,252	13,252	3,384	101,501
19,386	12,897	12,148	47	56,205
<u>298,273</u>	<u>291,784</u>	<u>301,416</u>	<u>719,096</u>	<u>5,937,882</u>
--	--	--	113,019	932,564
--	--	--	965	516,083
--	--	--	--	124,172
--	--	--	--	1,340,255
298,961	299,957	356,176	2,566	1,234,707
--	--	--	--	546,142
--	--	--	--	32,263
--	--	--	618,725	1,460,644
13,723	13,723	13,723	--	111,673
2,176	2,176	2,176	--	10,631
<u>314,860</u>	<u>315,856</u>	<u>372,075</u>	<u>735,275</u>	<u>6,309,134</u>
<u>(16,587)</u>	<u>(24,072)</u>	<u>(70,659)</u>	<u>(16,179)</u>	<u>(371,252)</u>
--	--	--	--	25,000
--	--	--	(25,000)	(25,000)
--	--	--	(25,000)	--
<u>(16,587)</u>	<u>(24,072)</u>	<u>(70,659)</u>	<u>(41,179)</u>	<u>(371,252)</u>
877,967	813,711	1,327,047	405,523	7,542,541
<u>\$ 861,380</u>	<u>\$ 789,639</u>	<u>\$ 1,256,388</u>	<u>\$ 364,344</u>	<u>\$ 7,171,289</u>

SABINE 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 DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$ (371,252)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	155,650
The depreciation of capital assets used in governmental activities is not reported in the funds.	(546,187)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	90,801
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	<u>111,671</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (559,317)</u>

The accompanying notes are an integral part of this statement.

SABINE COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 779,802
Restricted Assets:	
Cash and Cash Equivalents	594,696
Total Assets and Other Debits	<u>1,374,498</u>
LIABILITIES:	
Due to County	\$ 332,489
Due to Other Beneficiaries	1,042,009
Total Liabilities	<u>1,374,498</u>
NET POSITION	
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Significant Accounting Policies

The combined financial statements of Sabine 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 no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

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 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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

CDBG Disaster Recovery Grant: This funds accounts for the federal grant resources and costs of the Community Development Block Grant designed to repair damage caused by Hurricane Ike. Projects under this grant include repairs to the Geneva-Milam water system improvements, Beechwood sewer system improvements, and repairs to several roads throughout the County.

Road and Bridge Funds 1, 2, 3, and 4: These special revenue funds are used by the County for the maintenance of the roads and bridges in the County.

In addition, the County reports the following fund types:

Agency Funds: These funds are used to report fee office 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 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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 Fund 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. The allowance for uncollectible taxes was \$138,898 at December 31, 2013.

b. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-45
Buildings	5-39
Building Improvements	7-20
Vehicles	5-7
Machinery and Equipment	5-10
Computer Equipment	3-7

d. Receivable and Payable Balances

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

l. 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.

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

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

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.

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

Cash Deposits:

At December 31, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,338,351 and the bank balance was \$8,556,194. The County's cash deposits at December 31, 2013 and during the year ended December 31, 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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

The County's investments at December 31, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of deposit - Road & Bridge 1	< 1 year	\$ 770,013
Certificates of deposit - Road & Bridge 2	< 1 year	399,028
Certificates of deposit - Road & Bridge 3	< 1 year	399,028
Certificates of deposit - Road & Bridge 4	< 1 year	399,028
Total Investments		<u>\$ 1,967,097</u>

Analysis of Specific Deposit and Investment Risks:

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

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.

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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 December 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 120,714	\$ --	\$ --	\$ 120,714
Construction in progress	189,164	--	189,164	--
Total capital assets not being depreciated	309,878	--	189,164	120,714
Capital assets being depreciated:				
Buildings and improvements	985,221	230,805	--	1,216,026
Equipment	3,212,222	61,221	--	3,273,443
Vehicles	753,499	52,788	26,182	780,105
Road and bridge infrastructure	4,932,684	--	--	4,932,684
Total capital assets being depreciated	9,883,626	344,814	26,182	10,202,258
Less accumulated depreciation for:				
Buildings and improvements	(726,256)	(34,000)	--	(760,256)
Equipment	(2,039,870)	(265,603)	--	(2,305,473)
Vehicles	(272,265)	(138,932)	(26,182)	(385,015)
Road and bridge infrastructure	(3,413,276)	(107,652)	--	(3,520,928)
Total accumulated depreciation	(6,451,667)	(546,187)	(26,182)	(6,971,672)
Total capital assets being depreciated, net	3,431,959	(201,373)	--	3,230,586
Governmental activities capital assets, net	\$ 3,741,837	\$ (201,373)	\$ 189,164	\$ 3,351,300

Depreciation was charged to functions as follows:

General Government	\$ 16,814
Judicial	22,400
Public safety	95,711
Highways and streets	402,883
Financial	8,379
	<u>\$ 546,187</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at December 31, 2013, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Agency Funds	\$ 332,490	Transfer fee office receipts
	Total	<u>\$ 332,490</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at December 31, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue Fund: County Clerk Archive Fund	General Fund	\$ 25,000	Provide resources for record archiving costs
	Total	<u>\$ 25,000</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2013, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ 343,087	\$ --	\$ 111,671	\$ 231,416	54,581
Total governmental activities	<u>\$ 343,087</u>	<u>\$ --</u>	<u>\$ 111,671</u>	<u>\$ 231,416</u>	<u>\$ 54,581</u>

2. Description of Capital Leases

Capital leases as of December 31, 2013 are summarized as follows:

2012 John Deere Gradall financed through Government Capital Corp, requiring annual payments of \$63,595 and one final payment of \$1 due in January 2015, with an interest rate of 3.895%.	\$ 231,416
Total capital leases	<u>\$ 231,416</u>

As of December 31, 2013, equipment under capital lease totaled \$286,307, with accumulated depreciation of \$100,207. Amortization totaled \$57,261 and was included in depreciation expense.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

3. Future requirements

Debt service requirements on long-term debt at December 31, 2013, are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2014	\$ 54,581	\$ 9,014
2015	56,707	6,888
2016	58,916	4,679
2017	61,212	2,383
Totals	\$ 231,416	\$ 22,964

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of December 31, 2013, as follows:

Year Ending December 31,	
2014	\$ 31,121
Total Minimum Rentals	\$ 31,121
Rental Expenditures in 2013	\$ 77,141

H. 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 insurance 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 (the "Pool"). The Pool is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to the Pool for its above insurance coverage. The agreement for the formation of the Pool provides that the Pool 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.

I. Pension Plan

The County provides pension benefits for all of its full-time employees through a non-traditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 non-traditional 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 plan provisions are adopted by the governing body of the County, 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 eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

SABINE COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Funding Policy: Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate, as explained below. The contribution rate was 6.45% for the months in calendar year 2012 and 6.60% for the months in calendar year 2013.

Annual Pension Cost: For 2013, the County's annual pension cost of \$271,199 for TCDRS was equal to the County's required contributions.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2011	\$ 71,666	100%	\$ --
December 31, 2012	85,579	100%	--
December 31, 2013	102,586	100%	--

The required contribution was determined as part of the December 31, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 8.0% percent investment rate of return (net of investment expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012, was 20 years. This actuarial information is summarized below.

	Fiscal Year Ended		
	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level (1)	Level (1)	Level (1)
Amortization Period in Years	30	30	30
Asset Valuation Method:			
Subdivision Accumulation Fund	10 year (2)	10 year (2)	5 year (2)
Employee Saving Fund	Fund Value	Fund Value	Fund Value
Actuarial assumptions:			
Investment Return (3)	8.0%	8.0%	8.0%
Projected Salary Increases (3)	5.4%	5.4%	4.9%
Inflation Rate	3.5%	3.5%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

(1) Level percentage of payroll, open assumption

(2) Smoothed value calculation assumption

(3) Includes inflation at the stated rate

Funded Status and Funding Progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was 103% funded. The actuarial accrued liability for benefits was \$4,115,723, and the actuarial value of assets was \$4,227,177, resulting in an overfunded actuarial accrued liability (OAAL) of \$111,454. The covered payroll (annual payroll of active employees covered by the plan) was \$1,964,138, and the ratio of the OAAL to the covered payroll was 5.67%.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

The following schedule of funding progress 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.

	Fiscal Year Ended		
	12/31/2011	12/31/2012	12/31/2013
Annual pension cost (APC)	\$ 71,666	\$ 85,579	\$ 102,586
Percentage of APC contributed	100%	100%	100%
Net pension obligation	--	--	--
Actuarial value of assets	3,733,372	3,947,353	4,227,177
Actuarial accrued liability (AAL)	3,516,720	3,814,924	4,115,723
Unfunded (overfunded) AAL (UAAL or OAAL)	(216,652)	(132,429)	(111,454)
Funded ratio	106%	103%	103%
Annual covered payroll	1,584,440	1,793,126	1,964,138
UAAL (OAAL) as percentage of covered payroll	-13.67%	-7.39%	-5.67%

J. Health Care Coverage

During the year ended December 31, 2013, employees of the County were covered by a health insurance plan administered by the Texas Association of Counties (the "Plan"). The County paid premiums for employee coverage under the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

K. 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 December 31, 2013.

L. Subsequent Events

Management has evaluated subsequent events through July 25, 2014, the date when the financial statements were available to be issued.

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.

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
Page 1 of 6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General property taxes	\$ 3,125,000	\$ 2,240,529	\$ 2,240,405	\$ (124)
General sales and use taxes	300,000	300,000	317,625	17,625
Other taxes	1,800	1,800	536	(1,264)
Total Taxes	<u>3,426,800</u>	<u>2,542,329</u>	<u>2,558,566</u>	<u>16,237</u>
Intergovernmental:				
Vehicle registration	--	28,125	32,438	4,313
Tax collection fees	52,000	65,098	63,785	(1,313)
Salary supplements	71,350	71,350	75,071	3,721
Other grants	33,800	36,713	40,231	3,518
Total Intergovernmental	<u>157,150</u>	<u>201,286</u>	<u>211,525</u>	<u>10,239</u>
Fines and Fees of County Offices:				
Fees of office	196,775	265,510	267,507	1,997
Other fines and fees	101,850	120,411	122,453	2,042
Total Fees of County Offices	<u>298,625</u>	<u>385,921</u>	<u>389,960</u>	<u>4,039</u>
Interest Income	<u>31,125</u>	<u>38,617</u>	<u>39,423</u>	<u>806</u>
Other Income:				
Rental income	--	--	243	243
Miscellaneous income	45,300	46,300	2,938	(43,362)
Total Other Income	<u>45,300</u>	<u>46,300</u>	<u>3,181</u>	<u>(43,119)</u>
Total Revenues	<u>3,959,000</u>	<u>3,214,453</u>	<u>3,202,655</u>	<u>(11,798)</u>
Expenditures:				
Current:				
General Government:				
County Judge:				
Salaries	80,627	80,543	74,160	6,383
Benefits	17,880	17,964	17,457	507
Car allowance and travel	3,800	3,800	1,449	2,351
Office, postage, and copier	500	500	129	371
Utilities	3,000	3,000	1,079	1,921
Insurance	200	200	18	182
Continuing education	1,300	1,300	528	772
Capital outlays	400	400	--	400
Total County Judge	<u>107,707</u>	<u>107,707</u>	<u>94,820</u>	<u>12,887</u>

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
Page 2 of 6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
County Clerk:				
Salaries	140,028	137,480	136,968	512
Benefits	55,869	55,869	51,291	4,578
Office, postage, and copier	10,300	10,712	6,920	3,792
Utilities	2,800	2,800	1,131	1,669
Maintenance	24,500	25,131	25,131	--
Insurance	225	936	936	--
Continuing education	5,000	5,000	4,176	824
Professional fees	15,200	14,875	14,046	829
Library costs	2,000	3,119	3,119	--
Total County Clerk	255,922	255,922	243,718	12,204
Veterans Affairs:				
Salaries	11,816	13,233	13,234	(1)
Benefits	1,635	1,618	1,130	488
Car allowance and travel	500	400	366	34
Office, postage, and copier	500	500	449	51
Utilities	500	300	271	29
Maintenance	100	--	--	--
Continuing education	1,500	500	458	42
Total Veterans Affairs	16,551	16,551	15,908	643
Emergency Management:				
Salaries	11,816	12,698	12,697	1
Benefits	1,635	1,107	1,084	23
Car allowance and travel	1,000	1,221	1,220	1
Office, postage, and copier	700	200	191	9
Utilities	1,550	1,660	1,660	--
Continuing education	1,800	1,615	1,518	97
Capital outlays	1,000	1,000	964	36
Total Emergency Management	19,501	19,501	19,334	167
Courthouse:				
Salaries	17,437	17,893	18,116	(223)
Benefits	10,283	10,429	10,394	35
Office, postage, and copier	4,000	4,015	4,014	1
Utilities	33,000	32,347	32,346	1
Maintenance	40,000	56,936	56,936	--
Total Courthouse	104,720	121,620	121,806	(186)
Non-Departmental:				
Benefits	20,000	--	--	--
Office, postage, and copier	36,780	27,658	24,532	3,126
Maintenance	3,500	4,309	2,919	1,390
Insurance	30,000	31,969	31,968	1
Professional fees	55,000	26,431	22,500	3,931
Senior citizen assistance	17,800	17,800	15,000	2,800
Child safety and assistance	500	500	500	--
Other assistance	9,602	9,602	9,602	--
Emergency and ambulance services	3,167	3,167	3,167	--
Volunteer fire patrol	10,000	10,000	10,000	--
Autopsy fees	25,000	25,871	25,871	--
Library	15,000	15,000	15,000	--

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Historical and cultural	150	150	--	150
Litter control and recycling	400	4,034	4,033	1
Hazard mitigation	--	32,438	32,438	--
Other charges	72,000	42,125	26,390	15,735
Capital outlays	762,887	55,975	98,567	(42,592)
Total Non-Departmental	1,061,786	307,029	322,487	(15,458)
Flood Plain:				
Office, postage, and copier	200	200	24	176
Continuing education	1,900	1,900	1,448	452
Total Flood Plain	2,100	2,100	1,472	628
Total General Government	1,568,287	830,430	819,545	10,885
Judicial:				
County Court at Law:				
Court appointed attorneys	3,800	3,938	3,937	1
Jury and court costs	5,000	4,862	3,795	1,067
Total County Court at Law	8,800	8,800	7,732	1,068
District Court:				
Salaries	79,633	94,048	92,534	1,514
Benefits	13,298	21,777	21,215	562
Car allowance and travel	2,000	2,000	1,564	436
Office, postage, and copier	1,400	1,400	842	558
Court appointed attorneys	65,000	51,858	43,737	8,121
Jury and court costs	30,561	15,580	7,570	8,010
Total District Court	191,892	186,663	167,462	19,201
District Clerk:				
Salaries	69,638	68,938	68,841	97
Benefits	23,773	23,940	23,865	75
Car allowance and travel	100	100	--	100
Office, postage, and copier	3,500	3,546	3,545	1
Utilities	1,500	830	825	5
Maintenance	14,500	13,624	13,624	--
Insurance	300	62	61	1
Continuing education	2,500	3,293	3,293	--
Library costs	4,500	3,604	3,604	--
Capital outlays	2,798	8,944	8,944	--
Total District Clerk	123,109	126,881	126,602	279
Justice of the Peace #1:				
Salaries	61,230	61,230	61,612	(382)
Benefits	23,028	23,195	23,181	14
Car allowance and travel	1,400	715	711	4
Office, postage, and copier	3,900	2,866	2,314	552
Utilities	2,900	2,900	1,173	1,727
Maintenance	6,350	6,535	6,531	4
Insurance	300	5	4	1
Continuing education	1,800	3,462	3,461	1
Total Justice of the Peace #1	100,908	100,908	98,987	1,921

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Justice of the Peace #2:				
Salaries	60,884	60,937	60,936	1
Benefits	22,986	23,133	23,120	13
Car allowance and travel	1,000	80	79	1
Office, postage, and copier	2,300	2,597	2,596	1
Utilities	2,040	1,555	1,555	--
Maintenance	5,900	6,905	6,904	1
Insurance	300	55	54	1
Continuing education	1,500	3,405	3,404	1
Jury and court costs	300	--	--	--
Total Justice of the Peace #2	97,210	98,667	98,648	19
Courthouse Security:				
Office, postage, and copier	--	20,169	15,687	4,482
Total Courthouse Security	--	20,169	15,687	4,482
DARE Program:				
Office, postage, and copier	6,000	3,087	3,087	--
Total DARE Program	6,000	3,087	3,087	--
Total Judicial	521,919	542,088	515,118	26,970
Legal:				
County Attorney:				
Salaries	92,119	93,369	93,925	(556)
Benefits	27,056	27,382	27,368	14
Office, postage, and copier	900	900	736	164
Utilities	1,400	1,060	1,056	4
Insurance	300	214	4	210
Continuing education	1,816	866	823	43
Capital outlays	700	500	260	240
Total County Attorney	124,291	124,291	124,172	119
Total Legal	124,291	124,291	124,172	119
Public Safety:				
Constable Pct #1:				
Salaries	22,102	22,102	22,101	1
Benefits	10,771	10,855	10,806	49
Fuel, oil, and tires	3,800	3,851	3,108	743
Insurance	200	200	--	200
Continuing education	1,500	1,500	598	902
Capital outlays	500	365	314	51
Total Constable Pct #1	38,873	38,873	36,927	1,946
Constable Pct #2:				
Salaries	23,891	23,891	23,890	1
Benefits	11,041	11,125	11,072	53
Fuel, oil, and tires	3,800	4,876	4,674	202
Insurance	200	200	--	200
Continuing education	1,500	675	670	5
Capital outlays	500	165	98	67
Total Constable Pct #2	40,932	40,932	40,404	528

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
Page 5 of 6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sheriff:				
Salaries	611,614	609,819	611,231	(1,412)
Benefits	226,263	217,294	217,154	140
Car allowance and travel	4,000	3,575	3,574	1
Office, postage, and copier	14,350	12,792	12,587	205
Utilities	49,500	44,160	44,159	1
Fuel, oil, and tires	69,000	64,725	64,721	4
Maintenance	27,000	60,084	55,566	4,518
Insurance	16,800	16,065	15,809	256
Continuing education	3,400	2,100	2,098	2
Equipment leasing	21,755	15,676	15,571	105
Prisoner housing costs	51,000	75,612	75,611	1
Capital outlays	87,000	85,358	85,355	3
Total Sheriff	1,181,682	1,207,260	1,203,436	3,824
Probation:				
Utilities	1,350	1,350	1,344	6
Probation fees	13,256	13,256	13,046	210
Total Probation	14,606	14,606	14,390	216
9-1-1:				
Salaries	24,488	24,488	23,815	673
Benefits	10,800	10,884	10,876	8
Car allowance and travel	1,500	937	44	893
Office, postage, and copier	2,500	4,500	3,999	501
Utilities	1,500	1,500	798	702
Continuing education	2,000	2,479	2,479	--
Total 9-1-1	42,788	44,788	42,011	2,777
Total Public Safety	1,324,881	1,349,546	1,340,255	9,291
Financial Administration:				
County Auditor:				
Salaries	45,900	61,707	61,705	2
Benefits	13,753	16,005	15,999	6
Car allowance and travel	4,200	312	312	--
Office, postage, and copier	1,150	2,401	2,401	--
Utilities	--	467	466	1
Continuing education	1,000	655	655	--
Capital outlays	1,500	820	820	--
Total County Auditor	67,503	82,367	82,358	9
County Treasurer:				
Salaries	84,561	84,561	84,220	341
Benefits	33,652	33,902	33,821	81
Office, postage, and copier	4,000	4,000	3,997	3
Utilities	1,400	1,400	889	511
Maintenance	6,400	4,101	2,361	1,740
Insurance	475	475	150	325
Continuing education	4,500	2,919	2,386	533
Capital outlays	500	4,130	4,130	--
Total County Treasurer	135,488	135,488	131,954	3,534

SABINE COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-1
Page 6 of 6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Tax Assessor / Collector:				
Salaries	157,215	157,215	153,720	3,495
Benefits	65,943	65,943	65,575	368
Car allowance and travel	100	510	509	1
Office, postage, and copier	6,000	10,994	10,300	694
Utilities	5,400	5,400	2,846	2,554
Maintenance	6,100	4,543	3,827	716
Insurance	400	689	688	1
Continuing education	9,500	6,550	6,531	19
Appraisal District payments	59,484	59,484	59,480	4
Equipment leasing	27,542	28,098	28,097	1
Other charges	2,000	258	257	1
Total Tax Assessor / Collector	339,684	339,684	331,830	7,854
Total Financial Administration	542,675	557,539	546,142	11,397
Conservation				
County Agent:				
Salaries	20,052	20,052	16,847	3,205
Benefits	2,894	2,894	2,377	517
Car allowance and travel	13,186	13,186	10,860	2,326
Office, postage, and copier	1,500	1,500	693	807
Utilities	2,000	2,000	588	1,412
Continuing education	2,000	2,000	898	1,102
Total County Agent	41,632	41,632	32,263	9,369
Total Conservation	41,632	41,632	32,263	9,369
Debt Service:				
Principal	6,245	6,245	6,245	--
Interest	105	105	105	--
Total Debt Service	6,350	6,350	6,350	--
Total Expenditures	4,130,035	3,451,876	3,383,845	68,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	(171,035)	(237,423)	(181,190)	56,233
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	25,000	--
Total Other Financing Sources (Uses)	25,000	25,000	25,000	--
Net Change in Fund Balances	(146,035)	(212,423)	(156,190)	56,233
Fund Balances - Beginning	2,861,557	2,861,557	2,861,557	--
Fund Balances - Ending	\$ 2,715,522	\$ 2,649,134	\$ 2,705,367	\$ 56,233

SABINE COUNTY, TEXAS
ROAD & BRIDGE #1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,800	\$ 4,800	\$ 4,594	\$ (206)
Federal Forest program	25,000	25,000	132,823	107,823
Payments in lieu of taxes	6,000	6,000	8,128	2,128
Total Intergovernmental	<u>35,800</u>	<u>35,800</u>	<u>145,545</u>	<u>109,745</u>
Fines and Fees of County Offices:				
Licenses & permits	116,000	116,000	109,710	(6,290)
Total Fees of County Offices	<u>116,000</u>	<u>116,000</u>	<u>109,710</u>	<u>(6,290)</u>
Interest Income	<u>4,000</u>	<u>4,000</u>	<u>18,938</u>	<u>14,938</u>
Other Income:				
Road base/Road oil reimbursement	1,000	1,000	--	(1,000)
Culvert reimbursement	2,000	2,000	2,050	50
Miscellaneous income	200	200	6,496	6,296
Total Other Income	<u>3,200</u>	<u>3,200</u>	<u>8,546</u>	<u>5,346</u>
Total Revenues	<u>159,000</u>	<u>159,000</u>	<u>282,739</u>	<u>123,739</u>
Expenditures:				
Current:				
Highways and Streets:				
Salaries	139,081	139,129	130,897	8,232
Benefits	53,454	53,645	45,258	8,387
Car allowance and travel	2,000	2,000	1,349	651
Road materials	91,000	91,000	41,098	49,902
Office, postage, and copier	3,000	4,122	3,160	962
Utilities	4,500	5,006	4,063	943
Fuel, oil, and tires	52,300	53,684	35,180	18,504
Maintenance	13,900	15,862	9,587	6,275
Insurance	7,000	7,875	5,738	2,137
Continuing education	1,000	1,000	717	283
Capital outlays	191,765	191,765	--	191,765
Total Highways and Streets	<u>559,000</u>	<u>565,088</u>	<u>277,047</u>	<u>288,041</u>
Debt Service:				
Principal	96,002	89,914	64,259	25,655
Interest	3,998	3,998	3,998	--
Total Debt Service	<u>100,000</u>	<u>93,912</u>	<u>68,257</u>	<u>25,655</u>
Total Expenditures	<u>659,000</u>	<u>659,000</u>	<u>345,304</u>	<u>313,696</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(500,000)</u>	<u>(500,000)</u>	<u>(62,565)</u>	<u>437,435</u>
Net Change in Fund Balances	<u>(500,000)</u>	<u>(500,000)</u>	<u>(62,565)</u>	<u>437,435</u>
Fund Balances - Beginning	1,256,735	1,256,735	1,256,736	1
Fund Balances - Ending	<u>\$ 756,735</u>	<u>\$ 756,735</u>	<u>\$ 1,194,171</u>	<u>\$ 437,436</u>

SABINE COUNTY, TEXAS
ROAD & BRIDGE #2
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,800	\$ 4,800	\$ 4,785	\$ (15)
Federal Forest program	25,000	25,000	138,356	113,356
Payments in lieu of taxes	6,000	6,000	8,467	2,467
Total Intergovernmental	<u>35,800</u>	<u>35,800</u>	<u>151,608</u>	<u>115,808</u>
Fines and Fees of County Offices:				
Licenses & permits	120,000	120,000	114,027	(5,973)
Total Fees of County Offices	<u>120,000</u>	<u>120,000</u>	<u>114,027</u>	<u>(5,973)</u>
Interest Income	4,000	4,000	13,252	9,252
Other Income:				
Rental income	--	--	5,959	5,959
Road base/Road oil reimbursement	1,100	1,100	4,800	3,700
Culvert reimbursement	5,000	5,000	8,627	3,627
Total Other Income	<u>6,100</u>	<u>6,100</u>	<u>19,386</u>	<u>13,286</u>
Total Revenues	<u>165,900</u>	<u>165,900</u>	<u>298,273</u>	<u>132,373</u>
Expenditures:				
Current:				
Highways and Streets:				
Salaries	130,369	130,369	121,747	8,622
Benefits	49,195	49,508	47,741	1,767
Car allowance and travel	1,800	1,800	1,174	626
Road materials	209,700	197,525	50,600	146,925
Office, postage, and copier	2,650	4,225	3,397	828
Utilities	2,700	2,700	1,406	1,294
Fuel, oil, and tires	55,600	58,076	45,371	12,705
Maintenance	23,500	30,831	23,025	7,806
Insurance	7,200	7,680	4,265	3,415
Continuing education	800	800	235	565
Capital outlays	177,386	177,386	--	177,386
Total Highways and Streets	<u>660,900</u>	<u>660,900</u>	<u>298,961</u>	<u>361,939</u>
Debt Service:				
Principal	27,824	27,824	13,723	14,101
Interest	2,176	2,176	2,176	--
Total Debt Service	<u>30,000</u>	<u>30,000</u>	<u>15,899</u>	<u>14,101</u>
Total Expenditures	<u>690,900</u>	<u>690,900</u>	<u>314,860</u>	<u>376,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(525,000)</u>	<u>(525,000)</u>	<u>(16,587)</u>	<u>508,413</u>
Net Change in Fund Balances	<u>(525,000)</u>	<u>(525,000)</u>	<u>(16,587)</u>	<u>508,413</u>
Fund Balances - Beginning	877,967	877,967	877,967	--
Fund Balances - Ending	<u>\$ 352,967</u>	<u>\$ 352,967</u>	<u>\$ 861,380</u>	<u>\$ 508,413</u>

SABINE COUNTY, TEXAS
ROAD & BRIDGE #3
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,800	\$ 4,800	\$ 4,785	\$ (15)
Federal Forest program	25,000	25,000	138,356	113,356
Payments in lieu of taxes	6,000	6,000	8,467	2,467
Total Intergovernmental	35,800	35,800	151,608	115,808
Fines and Fees of County Offices:				
Licenses & permits	120,000	120,000	114,027	(5,973)
Total Fees of County Offices	120,000	120,000	114,027	(5,973)
Interest Income	4,000	4,000	13,252	9,252
Other Income:				
Rental income	2,000	2,000	357	(1,643)
Miscellaneous income	200	200	12,540	12,340
Total Other Income	2,200	2,200	12,897	10,697
Total Revenues	162,000	162,000	291,784	129,784
Expenditures:				
Current:				
Highways and Streets:				
Salaries	153,645	153,645	124,185	29,460
Benefits	54,239	54,239	33,222	21,017
Road materials	144,144	149,230	70,779	78,451
Office, postage, and copier	6,600	7,472	6,190	1,282
Utilities	2,900	2,900	2,259	641
Fuel, oil, and tires	49,509	50,193	41,473	8,720
Maintenance	29,200	29,200	16,155	13,045
Insurance	6,500	6,790	4,977	1,813
Continuing education	600	717	717	--
Capital outlays	59,663	59,663	--	59,663
Total Highways and Streets	507,000	514,049	299,957	214,092
Debt Service:				
Principal	127,824	120,775	13,723	107,052
Interest	2,176	2,176	2,176	--
Total Debt Service	130,000	122,951	15,899	107,052
Total Expenditures	637,000	637,000	315,856	321,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(475,000)	(475,000)	(24,072)	450,928
Net Change in Fund Balances	(475,000)	(475,000)	(24,072)	450,928
Fund Balances - Beginning	813,711	813,711	813,711	--
Fund Balances - Ending	\$ 338,711	\$ 338,711	\$ 789,639	\$ 450,928

SABINE COUNTY, TEXAS
ROAD & BRIDGE #4
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT B-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 5,200	\$ 5,200	\$ 4,976	\$ (224)
Federal Forest program	25,000	25,000	143,891	118,891
Payments in lieu of taxes	6,000	6,000	8,805	2,805
Total Intergovernmental	<u>36,200</u>	<u>36,200</u>	<u>157,672</u>	<u>121,472</u>
Fines and Fees of County Offices:				
Licenses & permits	135,000	135,000	118,344	(16,656)
Total Fees of County Offices	<u>135,000</u>	<u>135,000</u>	<u>118,344</u>	<u>(16,656)</u>
Interest Income	<u>4,000</u>	<u>4,000</u>	<u>13,252</u>	<u>9,252</u>
Other Income:				
Culvert reimbursement	2,200	2,200	5,937	3,737
Miscellaneous income	500	500	6,211	5,711
Total Other Income	<u>2,700</u>	<u>2,700</u>	<u>12,148</u>	<u>9,448</u>
Total Revenues	<u>177,900</u>	<u>177,900</u>	<u>301,416</u>	<u>123,516</u>
Expenditures:				
Current:				
Highways and Streets:				
Salaries	146,682	146,682	126,957	19,725
Benefits	56,236	56,236	47,537	8,699
Car allowance and travel	1,500	1,500	1,349	151
Road materials	199,700	207,075	107,867	99,208
Office, postage, and copier	3,400	4,644	3,803	841
Utilities	2,500	2,819	2,396	423
Fuel, oil, and tires	51,150	53,064	46,035	7,029
Maintenance	24,500	28,953	14,380	14,573
Insurance	7,300	7,300	5,135	2,165
Continuing education	600	717	717	--
Capital outlays	184,332	184,332	--	184,332
Total Highways and Streets	<u>677,900</u>	<u>693,322</u>	<u>356,176</u>	<u>337,146</u>
Debt Service:				
Principal	147,824	132,402	13,723	118,679
Interest	2,176	2,176	2,176	--
Total Debt Service	<u>150,000</u>	<u>134,578</u>	<u>15,899</u>	<u>118,679</u>
Total Expenditures	<u>827,900</u>	<u>827,900</u>	<u>372,075</u>	<u>455,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(650,000)</u>	<u>(650,000)</u>	<u>(70,659)</u>	<u>579,341</u>
Net Change in Fund Balances	<u>(650,000)</u>	<u>(650,000)</u>	<u>(70,659)</u>	<u>579,341</u>
Fund Balances - Beginning	1,327,047	1,327,047	1,327,047	--
Fund Balances - Ending	<u>\$ 677,047</u>	<u>\$ 677,047</u>	<u>\$ 1,256,388</u>	<u>\$ 579,341</u>

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Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SABINE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

	Appellate Judicial System Fund	District Clerk Record Archive Fee	Convention Center Building
ASSETS			
Cash and Cash Equivalents	\$ 7	\$ 4,099	\$ 50,681
Receivables (net of allowances for uncollectibles):			
Due from Others	--	--	--
Due from Agency Funds	80	115	--
Total Assets	<u>87</u>	<u>4,214</u>	<u>50,681</u>
LIABILITIES			
Accounts Payable	\$ 50	\$ --	\$ --
Total Liabilities	<u>50</u>	<u>--</u>	<u>--</u>
FUND BALANCES (DEFICITS)			
Restricted Fund Balances:			
Restricted for Hotel/Motel Tax	--	--	--
Restricted for Federal and State Grants	--	--	--
Restricted for Construction	--	--	50,681
Restricted for Record Retention	--	4,214	--
Restricted for Judicial & Law Enforcement	37	--	--
Total Fund Balance	<u>37</u>	<u>4,214</u>	<u>50,681</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 87</u>	<u>\$ 4,214</u>	<u>\$ 50,681</u>

Records Retention	Hotel/ Motel Tax	District Clerk Special	Forest Service
\$ 69,330	\$ 68,288	\$ 7,424	\$ 121,517
--	5,585	--	--
1,324	--	168	--
<u>70,654</u>	<u>73,873</u>	<u>7,592</u>	<u>121,517</u>
\$ 320	\$ 4,666	\$ --	\$ --
<u>320</u>	<u>4,666</u>	<u>--</u>	<u>--</u>
--	69,207	--	--
--	--	--	121,517
--	--	--	--
70,334	--	7,592	--
--	--	--	--
<u>70,334</u>	<u>69,207</u>	<u>7,592</u>	<u>121,517</u>
\$ <u>70,654</u>	\$ <u>73,873</u>	\$ <u>7,592</u>	\$ <u>121,517</u>

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SABINE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

	County Clerk Archive	Road & Bridge Special	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
ASSETS			
Cash and Cash Equivalents	\$ 39,447	\$ 237	\$ 361,030
Receivables (net of allowances for uncollectibles):			
Due from Others	--	--	5,585
Due from Agency Funds	1,315	--	3,002
Total Assets	<u>40,762</u>	<u>237</u>	<u>369,617</u>
LIABILITIES			
Accounts Payable	\$ --	\$ 237	\$ 5,273
Total Liabilities	<u>--</u>	<u>237</u>	<u>5,273</u>
FUND BALANCES (DEFICITS)			
Restricted Fund Balances:			
Restricted for Hotel/Motel Tax	--	--	69,207
Restricted for Federal and State Grants	--	--	121,517
Restricted for Construction	--	--	50,681
Restricted for Record Retention	40,762	--	122,902
Restricted for Judicial & Law Enforcement	--	--	37
Total Fund Balance	<u>40,762</u>	<u>--</u>	<u>364,344</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 40,762</u>	<u>\$ 237</u>	<u>\$ 369,617</u>

SABINE COUNTY, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES****NONMAJOR SPECIAL REVENUE FUNDS****FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appellate Judicial System Fund	District Clerk Record Archive Fee	Convention Center Building	Records Retention
Revenue:				
Intergovernmental	\$ --	\$ --	\$ --	\$ --
Fees	995	1,093	--	13,872
Interest Income	1	--	674	1,298
Other Income	--	47	--	--
Total Revenue	<u>996</u>	<u>1,140</u>	<u>674</u>	<u>15,170</u>
Expenditures:				
Current:				
General government	--	--	--	63,396
Judicial	965	--	--	--
Highways and streets	--	--	--	--
Pass-through to other entities	--	--	--	--
Total Expenditures	<u>965</u>	<u>--</u>	<u>--</u>	<u>63,396</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31</u>	<u>1,140</u>	<u>674</u>	<u>(48,226)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>31</u>	<u>1,140</u>	<u>674</u>	<u>(48,226)</u>
Fund Balances - Beginning	6	3,074	50,007	118,560
Fund Balances - Ending	<u>\$ 37</u>	<u>\$ 4,214</u>	<u>\$ 50,681</u>	<u>\$ 70,334</u>

Hotel/ Motel Tax	District Clerk Special	Forest Service	County Clerk Archive	Community Development Grant #710631
\$ --	\$ --	\$ 553,426	\$ --	\$ 704
65,514	1,337	--	13,425	--
645	90	--	676	--
--	--	--	--	--
<u>66,159</u>	<u>1,427</u>	<u>553,426</u>	<u>14,101</u>	<u>704</u>
48,919	--	--	--	704
--	--	--	--	--
--	--	--	--	--
--	--	553,426	--	--
<u>48,919</u>	<u>--</u>	<u>553,426</u>	<u>--</u>	<u>704</u>
17,240	1,427	--	14,101	--
--	--	--	(25,000)	--
--	--	--	(25,000)	--
17,240	1,427	--	(10,899)	--
51,967	6,165	121,517	51,661	--
<u>\$ 69,207</u>	<u>\$ 7,592</u>	<u>\$ 121,517</u>	<u>\$ 40,762</u>	<u>\$ --</u>

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SABINE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	CDBG Pendleton Harbor	Road & Bridge Special	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
Revenue:			
Intergovernmental	\$ 65,299	\$ --	\$ 619,429
Fees	--	--	96,236
Interest Income	--	--	3,384
Other Income	--	--	47
Total Revenue	<u>65,299</u>	<u>--</u>	<u>719,096</u>
Expenditures:			
Current:			
General government	--	--	113,019
Judicial	--	--	965
Highways and streets	--	2,566	2,566
Pass-through to other entities	65,299	--	618,725
Total Expenditures	<u>65,299</u>	<u>2,566</u>	<u>735,275</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(2,566)</u>	<u>(16,179)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	--	--	(25,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(25,000)</u>
Net Change in Fund Balances	<u>--</u>	<u>(2,566)</u>	<u>(41,179)</u>
Fund Balances - Beginning	--	2,566	405,523
Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 364,344</u>

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

	<u>Tax Assessor - Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>
ASSETS:			
Cash and Cash Equivalents	\$ 734,246	\$ --	\$ --
Restricted Assets:			
Cash and Cash Equivalents	--	33,748	560,948
Total Assets and Other Debits	<u>734,246</u>	<u>33,748</u>	<u>560,948</u>
LIABILITIES:			
Due to County	\$ 297,163	\$ --	\$ --
Due to Other Beneficiaries	437,083	33,748	560,948
Total Liabilities	<u>734,246</u>	<u>33,748</u>	<u>560,948</u>
NET POSITION			
Total Net Position	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

County Sheriff	County Attorney	Treasurer Fee Account	Total Agency Funds (See Exhibit A-7)
\$ 9,808	\$ 4,736	\$ 31,012	\$ 779,802
--	--	--	594,696
<u>9,808</u>	<u>4,736</u>	<u>31,012</u>	<u>1,374,498</u>
\$ 1,902	\$ 2,412	\$ 31,012	\$ 332,489
7,906	2,324	--	1,042,009
<u>9,808</u>	<u>4,736</u>	<u>31,012</u>	<u>1,374,498</u>
\$ --	\$ --	\$ --	\$ --

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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.

Halls, Johnson, McLemore & Redfield, LLP
1329 N. University Dr., Suite A3
Nacogdoches, TX 75961

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
Sabine County, Texas
P.O. Box 597
Hemphill, Texas 75948

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 Sabine County, Texas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Sabine County, Texas's basic financial statements, and have issued our report thereon dated July 25, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sabine 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sabine County, Texas's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, TX

July 25, 2014

Halls, Johnson, McLemore & Redfield, LLP
1329 N. University Dr., Suite A3
Nacogdoches, TX 75961

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

Board of Trustees
Sabine County, Texas
P.O. Box 597
Hemphill, Texas 75948

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Sabine County, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sabine County, Texas's major federal programs for the year ended December 31, 2013. Sabine County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sabine County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

Halls, Johnson, McLeMore & Redfield, LLP

Halls, Johnson, McLeMore & Redfield, LLP

Nacogdoches, TX

July 25, 2014

SABINE COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads - Grants to States
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

SABINE COUNTY, TEXAS**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2012-1: Expenditures in excess of budget for 911 fund. Recommended County Auditor ensure compliance with budgetary requirements of Texas Local Government Code Chapter 111.	Current expenditures did not exceed the budget	N/A

SABINE COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

N/A - No current year findings

SABINE COUNTY, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013****EXHIBIT D-1**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Dept of Public Safety:			
Pre-Disaster Mitigation	97.047	PDM FY12-0006	\$ 32,438
Total U.S. Department of Homeland Security			<u>32,438</u>
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
Payment in Lieu of Taxes	15.227	None	33,866
Total U. S. Department of the Interior			<u>33,866</u>
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas General Land Office:			
Community Development Block Grant *	14.228	12-641-000-7063	841,919
Passed Through Texas Department of Agriculture:			
Community Development Block Grant *	14.228	710631	704
Community Development Block Grant *	14.228	712037	65,299
Total Passed Through Texas Department of Agriculture			<u>66,003</u>
Total U. S. Department of Housing & Urban Development			<u>907,922</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Comptroller:			
Schools and Roads - Grants to States *	10.665	None	1,106,853
Total U. S. Department of Agriculture			<u>1,106,853</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,081,079</u>

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

The accompanying notes are an integral part of this schedule.

SABINE COUNTY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2013

1. Basis of Presentation

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

2. Subrecipients

Of the federal expenditures presented in the schedule, Sabine County, Texas provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Schools and roads - Grants to States	10.665	\$ 553,426