

**SABINE COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

Sabine County, Texas  
Annual Financial Report  
For The Year Ended December 31, 2014

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# HALLS, JOHNSON, McLEMORE & REDFIELD, LLP

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**CERTIFIED PUBLIC ACCOUNTANTS**  
**A REGISTERED LIMITED LIABILITY PARTNERSHIP**  
1329 N. University Dr., Suite A3, Nacogdoches, Texas 75961  
Phone: (936) 564-8186 Fax: (936) 564-3811

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Michael Halls, CPA  
Gary Johnson, CPA  
Terre McLemore, CPA  
J.D. Redfield, CPA  
Clint White, CPA

## Independent Auditor's Report

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

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 from the financial statements.

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

## **Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sabine County, Texas as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 August 7, 2015, on our consideration of Sabine County, Texas's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Respectfully submitted,

*Halls, Johnson, McEmore & Redfield, LLP*

HALLS, JOHNSON, McEMORE & REDFIELD, LLP  
Nacogdoches, Texas  
August 7, 2015

## 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, 2014. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$10,918,700 at December 31, 2014, a decrease of \$304,757 from the prior year.
- Total government-wide revenues for the current year were \$8,672,127 compared to \$6,028,683 in the prior year, an increase of \$2,643,444 or 44%.
- During the current year, the County's expenses were \$3,289,176 more than the \$2,984,419 generated in taxes and other revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$2,926,758.

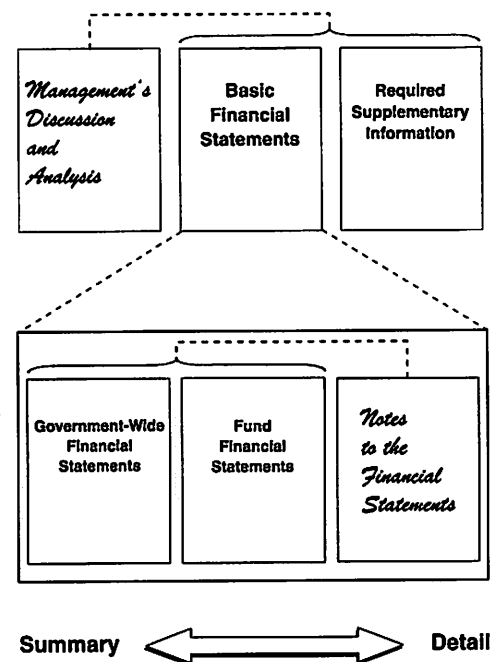
### OVERVIEW OF THE FINANCIAL STATEMENTS

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:

Summary of Net Position

	12/31/2014	12/31/2013	Amount of Change	% Change
Current and other assets	\$ 8,386,898	\$ 9,102,308	\$ (715,410)	-7.86%
Capital assets	2,862,033	3,351,300	(489,267)	-14.60%
Total assets	<u>11,248,931</u>	<u>12,453,608</u>	<u>(1,204,677)</u>	<u>-9.67%</u>
Current liabilities	210,103	1,053,933	(843,830)	-80.06%
Long term liabilities	120,128	176,215	(56,087)	-31.83%
Total liabilities	<u>330,231</u>	<u>1,230,148</u>	<u>(899,917)</u>	<u>-73.16%</u>
Net position				
Invested in capital assets	2,685,198	3,119,884	(434,686)	-13.93%
Restricted	4,425,476	4,465,923	(40,447)	-0.91%
Unrestricted	3,808,026	3,637,653	170,373	4.68%
Total net position	<u>\$ 10,918,700</u>	<u>\$ 11,223,460</u>	<u>\$ (304,760)</u>	<u>-2.72%</u>

Net assets of the County's governmental activities decreased by \$304,760 during the year ending December 31, 2014, down 2.72% 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 \$3,808,026 at year end.

### Governmental Activities

- The cost of all *governmental* activities this year was \$8,976,884.
- The amount that our taxpayers paid for these activities through property taxes was \$2,329,965.
- Some of the cost was paid by those who directly benefited from service fees and charges (\$1,022,127) and from operating grants and contributions (\$4,665,581).
- For 2014 the property tax rate was \$.428826/\$100 valuation and the taxable appraised value was \$550,971,892. The tax assessment, levied on October 1, 2014, was \$2,359,038, with collections through December 31, 2014 totaling \$1,582,043. The annual tax collection for 2014 was approximately 100% 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**

	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>Amount of Change</u>	<u>% Change</u>
Program revenues:				
Charges for services	\$ 1,022,127	\$ 1,025,192	\$ (3,065)	-0.30%
Operating grants/contributions	4,665,581	2,163,969	2,501,612	115.60%
Capital grants/contributions	-	-	-	n/a
General revenues:				
Property taxes	2,329,965	2,320,380	9,585	0.41%
Sales taxes	295,563	317,625	(22,062)	-6.95%
Other taxes	2,453	536	1,917	357.65%
Fines and Fees	139,901	65,514	74,387	113.54%
Interest income	96,367	101,502	(5,135)	-5.06%
Other income	120,170	33,965	86,205	253.81%
Total revenues/contributions	<u>8,672,127</u>	<u>6,028,683</u>	<u>2,643,444</u>	<u>43.85%</u>
Expenses:				
General government	793,652	875,180	(81,528)	-9.32%
Judicial	550,038	538,483	11,555	2.15%
Legal	127,569	124,172	3,397	2.74%
Financial administration	532,436	554,521	(22,085)	-3.98%
Public Safety	1,394,082	1,354,514	39,568	2.92%
Highways and streets	4,689,698	1,637,590	3,052,108	186.38%
Conservation	26,558	32,263	(5,705)	-17.68%
Pass-through to other entities	853,839	1,460,644	(606,805)	-41.54%
Interest on long-term debt	9,012	10,633	(1,621)	-15.24%
Total expenses	<u>8,976,884</u>	<u>6,588,000</u>	<u>2,388,884</u>	<u>36.26%</u>
Revenues over (under) expenses	<u>(304,757)</u>	<u>(559,317)</u>	<u>254,560</u>	<u>-45.51%</u>
Change in net position	<u>(304,757)</u>	<u>(559,317)</u>	<u>254,560</u>	<u>-45.51%</u>
Beginning net position	<u>11,223,457</u>	<u>11,782,777</u>	<u>(559,320)</u>	<u>-4.75%</u>
Ending net position	<u>\$ 10,918,700</u>	<u>\$ 11,223,460</u>	<u>\$ (304,760)</u>	<u>-2.72%</u>

During 2014, the County received \$1,184,919 in federal forest funds from the Federal government, which are recorded as operating grants/contributions. The total amount of federal forest money received increased by \$78,067 or 7% from 2013. Half of these funds are payable to the local school districts upon receipt, leaving a net increase in federal forest funds to the County of \$39,033. The County also received operating grant monies for road and bridge damages caused by Hurricane Ike. The total received for 2014 was \$3,100,014 as compared to \$841,919 in 2013, a 268% increase.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types totaled \$8,723,146, and are summarized below:

Summary of Revenues Governmental Funds				
	12/31/2014	12/31/2013	Amount of Change	% Change
Taxes	\$ 2,679,494	\$ 2,558,566	\$ 120,928	4.73%
Intergovernmental	4,786,177	2,279,306	2,506,871	109.98%
Fees	978,424	893,643	84,781	9.49%
Fines	45,042	48,661	(3,619)	-7.44%
Interest Income	96,367	101,501	(5,134)	-5.06%
Other Income	137,642	56,205	81,437	144.89%
Total Governmental Revenues	<u>\$ 8,723,146</u>	<u>\$ 5,937,882</u>	<u>\$ 2,785,264</u>	<u>46.91%</u>

Intergovernmental revenues are reporting a significant increase in government grant funds during the year, due to CDBG Disaster grant proceeds of \$3,100,014. Expenditures from governmental fund types totaled \$8,542,202 and are summarized below:

Summary of Expenditures Governmental Funds				
	12/31/2014	12/31/2013	Amount of Change	% Change
General government	\$ 778,409	\$ 932,564	\$ (154,155)	-16.53%
Judicial	527,418	516,083	11,335	2.20%
Legal	127,569	124,172	3,397	2.74%
Financial administration	524,093	546,142	(22,049)	-4.04%
Public safety	1,326,889	1,340,255	(13,366)	-1.00%
Highways and streets	4,313,831	1,234,707	3,079,124	249.38%
Conservation	26,558	32,263	(5,705)	-17.68%
Pass-through to other entities	853,839	1,460,644	(606,805)	100.00%
Debt service	63,596	122,304	(58,708)	-48.00%
Total Governmental Expenditures	<u>\$ 8,542,202</u>	<u>\$ 6,309,134</u>	<u>\$ 2,233,068</u>	<u>35.39%</u>

The most significant change in general government expenditures relates to highway and street expenditures, which increased \$3,079,124 due to Hurricane Ike grant receipts.

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

<b>Summary of Fund Balances</b>				
<b>Governmental Funds</b>				
	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>Amount of</u> <u>Change</u>	<u>% Change</u>
General Fund	\$ 2,926,758	\$ 2,705,367	\$ 221,391	8.18%
Special Revenue Funds	<u>4,425,476</u>	<u>4,465,922</u>	<u>(40,446)</u>	<u>-0.91%</u>
Total fund balance (deficit)	<u>\$ 7,352,234</u>	<u>\$ 7,171,289</u>	<u>\$ 180,945</u>	<u>2.52%</u>

### **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. With these adjustments, actual general fund expenditures were \$154,076 below final budget amounts. The most significant positive variance from the County's 2014 final budget as compared to the actual expenditures was in the non-departmental expenditures, which had a positive variance of \$77,239. The budget included amounts for capital outlays and debt expenditures that were not used.

Revenues were \$1,280,733 above the final budgeted revenues, primarily due to the way the federal forest monies were recorded in 2014, as compared to 2013, when federal forest revenues were budgeted in the Road & Bridge Funds.

Taking both budget factors into account, the County experienced an increase in the fund balance of the General fund of \$249,891, when the final budget called for a decrease in fund balance of \$28,500 an overall positive variance of \$56,233.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At December 31, 2014, the County had invested \$10,349,039 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$26,067 over last year.

#### **Summary of the County's Capital Assets**

	<b>Governmental Activities</b>		<b>Amount</b> <b>of Change</b>	<b>% Change</b>
	<u>12/31/2014</u>	<u>12/31/2013</u>		
Land	\$ 120,714	\$ 120,714	\$ -	0.00%
Buildings and Improvements	1,216,025	1,216,025	-	0.00%
Equipment and vehicles	4,079,615	4,053,548	26,067	0.64%
Roads and Bridges	<u>4,932,684</u>	<u>4,932,684</u>	<u>-</u>	<u>0.00%</u>
Total Capital Assets	<u>\$ 10,349,038</u>	<u>\$ 10,322,971</u>	<u>\$ 26,067</u>	<u>0.25%</u>

## Long Term Debt

At year-end the County had \$176,835 in capital leases payable, as compared to \$231,416 outstanding as of December 31, 2013. The capital lease is for a Gradall with an interest rate of 3.895%. Total payments for the year ended December 31, 2014 were \$63,595, of which \$54,581 was principal, and \$9,014 was interest.

### Summary of the County's Debt

	Governmental Activities		Amount of Change	% Change
	12/31/2014	12/31/2013		
Capital leases:				
Equipment-Gradall	\$ 176,835	\$ 231,416	\$ (54,581)	-23.59%
	<u>\$ 176,835</u>	<u>\$ 231,416</u>	<u>\$ (54,581)</u>	<u>-23.59%</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 2015 budget preparation is estimated to be approximately \$581,264,440 which is an increase of approximately 5.5% from the 2014 appraised values of \$550,971,892.
- Tax rate for 2015 budget is \$0.428826 per \$100 valuation.

These indicators were taken into account when adopting the general fund budget for 2015. Expenditures in the general fund 2015 budget are \$3,376,106, a decrease of \$419,219 or 11% from the 2014 actual expenditures of \$3,795,325. Property taxes may increase slightly due to increase in appraised values. The County has added no major new programs or initiatives to the 2015 budget.

If these estimates are realized, the County's budgetary general fund balance is not expected to change appreciably by the close of fiscal 2015.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,126,821
Receivables ( net of allowances for uncollectibles):	
Property Taxes Receivable	881,268
Due from State	34,045
Due from Other Governments	12,685
Due from Agency Funds	332,079
Capital Assets ( net of accumulated depreciation):	
Land	120,714
Buildings & Improvements	422,874
Machinery and Equipment	732,079
Vehicles	282,261
Roads and Bridges	1,304,105
Total Assets	<u>11,248,931</u>
<b>LIABILITIES</b>	
Accounts Payable	19,537
Accrued Employee Benefits	93,469
Due to Other Beneficiaries	5,183
Due to State	35,207
Noncurrent Liabilities-	
Due within one year	56,707
Due in more than one year	120,128
Total Liabilities	<u>330,231</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,685,198
Restricted For:	
Construction	51,323
Federal and State Grants	121,517
Hotel / Motel Tax	80,716
Record Retention	135,065
Judicial & Law Enforcement	24
Road & Bridge Maintenance	4,036,831
Unrestricted	3,808,026
Total Net Position	<u>\$ 10,918,700</u>

The accompanying notes are an integral part of this statement.

**SABINE COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government	\$ 793,652	\$ 177,428	\$ 12,906	\$ (603,318)
Judicial	550,038	160,431	16,218	(373,389)
Legal	127,569	59	35,000	(92,510)
Public safety	1,394,082	90,422	--	(1,303,660)
Highways and streets	4,689,698	473,266	3,747,618	(468,814)
Financial administration	532,436	120,521	--	(411,915)
Conservation	26,558	--	--	(26,558)
Pass-through to other entities	853,839	--	853,839	--
Interest on long-term debt	9,012	--	--	(9,012)
Total Governmental Activities	<u>8,976,884</u>	<u>1,022,127</u>	<u>4,665,581</u>	<u>(3,289,176)</u>
Total Primary Government	<u>\$ 8,976,884</u>	<u>\$ 1,022,127</u>	<u>\$ 4,665,581</u>	<u>(3,289,176)</u>
General Revenues:				
Property Taxes				2,329,965
Sales Taxes				295,563
Other Taxes				2,453
Fines and Fees				139,901
Interest Income				96,367
Other Income				120,170
Total General Revenues				<u>2,984,419</u>
Change in Net Position				<u>(304,757)</u>
Net Position - Beginning				11,223,457
Net Position - Ending				<u>\$ 10,918,700</u>

The accompanying notes are an integral part of this statement.



**SABINE COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	General Fund	CDBG Disaster Recovery	Road & Bridge #1
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,707,483	\$ --	\$ 1,198,670
Receivables ( net of allowances for uncollectibles):			
Taxes	881,268	--	--
Due from Others	2,318	--	--
Due from State	34,045	--	--
Due from Other Funds	--	--	3,120
Due from Agency Funds	325,207	--	556
Total Assets	<u>3,950,321</u>	<u>--</u>	<u>1,202,346</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 16,846	\$ --	\$ 750
Due to Other Funds	12,998	--	138
Accrued Compensation and Other Benefits	72,061	--	5,771
Due to Other Beneficiaries	5,183	--	--
Due to State	35,207	--	--
Total Liabilities	<u>142,295</u>	<u>--</u>	<u>6,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	881,268	--	--
Total Deferred Inflows of Resources	<u>881,268</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted Fund Balances:			
Restricted for Road and Bridge Maintenance	--	--	1,195,687
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	2,926,758	--	--
Total Fund Balance	<u>2,926,758</u>	<u>--</u>	<u>1,195,687</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 3,950,321</u>	 <u>\$ --</u>	 <u>\$ 1,202,346</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
\$ 872,333	\$ 773,661	\$ 1,199,277	\$ 375,398	\$ 7,126,822
--	--	--	--	881,268
--	--	--	10,367	12,685
--	--	--	--	34,045
3,250	3,250	3,380	542	13,542
580	580	603	4,553	332,079
<u>876,163</u>	<u>777,491</u>	<u>1,203,260</u>	<u>390,860</u>	<u>8,400,441</u>
\$ 248	\$ 1,235	\$ 254	\$ 205	\$ 19,538
136	(765)	1,035	--	13,542
4,695	6,194	4,748	--	93,469
--	--	--	--	5,183
--	--	--	--	35,207
<u>5,079</u>	<u>6,664</u>	<u>6,037</u>	<u>205</u>	<u>166,939</u>
--	--	--	--	881,268
--	--	--	--	881,268
871,084	770,827	1,197,223	2,010	4,036,831
--	--	--	80,716	80,716
--	--	--	121,517	121,517
--	--	--	51,323	51,323
--	--	--	135,065	135,065
--	--	--	24	24
--	--	--	--	2,926,758
<u>871,084</u>	<u>770,827</u>	<u>1,197,223</u>	<u>390,655</u>	<u>7,352,234</u>
\$ <u>876,163</u>	\$ <u>777,491</u>	\$ <u>1,203,260</u>	\$ <u>390,860</u>	\$ <u>8,400,441</u>

**SABINE COUNTY, TEXAS**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

Total fund balances - governmental funds balance sheet	\$ 7,352,234
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.	2,862,033
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	881,268
Payables for notes which are not due in the current period are not reported in the funds.	<u>(176,835)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 10,918,700</u>

The accompanying notes are an integral part of this statement.

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**SABINE COUNTY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	CDBG Disaster Recovery	Road & Bridge #1
Revenue:			
Taxes	\$ 2,679,494	\$ --	\$ --
Intergovernmental	1,369,638	3,100,014	13,235
Fees	389,104	--	109,448
Fines	45,042	--	--
Interest Income	39,638	--	16,793
Other Income	86,259	--	10,459
Total Revenue	<u>4,609,175</u>	<u>3,100,014</u>	<u>149,935</u>
Expenditures:			
Current:			
General government	671,309	--	--
Judicial	526,448	--	--
Legal	127,569	--	--
Public safety	1,326,889	--	--
Highways and streets	--	3,100,014	274,708
Financial administration	524,093	--	--
Conservation	26,558	--	--
Pass-through to other entities	592,459	--	--
Debt service:			
Principal	--	--	13,646
Interest	--	--	2,253
Total Expenditures	<u>3,795,325</u>	<u>3,100,014</u>	<u>290,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>813,850</u>	<u>--</u>	<u>(140,672)</u>
Other Financing Sources (Uses):			
Operating Transfers In	--	--	142,189
Operating Transfers Out	(592,459)	--	--
Total Other Financing Sources (Uses)	<u>(592,459)</u>	<u>--</u>	<u>142,189</u>
Net Change in Fund Balances	<u>221,391</u>	<u>--</u>	<u>1,517</u>
Fund Balances - Beginning	2,705,367	--	1,194,170
Fund Balances - Ending	<u>\$ 2,926,758</u>	<u>\$ --</u>	<u>\$ 1,195,687</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
\$ --	\$ --	\$ --	\$ --	\$ 2,679,494
13,787	13,786	14,337	261,380	4,786,177
114,009	114,009	118,569	133,285	978,424
--	--	--	--	45,042
12,284	12,284	12,284	3,084	96,367
14,896	12,261	13,767	--	137,642
<u>154,976</u>	<u>152,340</u>	<u>158,957</u>	<u>397,749</u>	<u>8,723,146</u>
--	--	--	107,100	778,409
--	--	--	970	527,418
--	--	--	--	127,569
--	--	--	--	1,326,889
277,487	303,369	356,263	1,990	4,313,831
--	--	--	--	524,093
--	--	--	--	26,558
--	--	--	261,380	853,839
13,646	13,646	13,646	--	54,584
2,253	2,253	2,253	--	9,012
<u>293,386</u>	<u>319,268</u>	<u>372,162</u>	<u>371,440</u>	<u>8,542,202</u>
(138,410)	(166,928)	(213,205)	26,309	180,944
148,114	148,116	154,040	--	592,459
--	--	--	--	(592,459)
<u>148,114</u>	<u>148,116</u>	<u>154,040</u>	<u>--</u>	<u>--</u>
9,704	(18,812)	(59,165)	26,309	180,944
861,380	789,639	1,256,388	364,346	7,171,290
<u>\$ 871,084</u>	<u>\$ 770,827</u>	<u>\$ 1,197,223</u>	<u>\$ 390,655</u>	<u>\$ 7,352,234</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, 2014**

Net change in fund balances - total governmental funds	\$	180,944
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		26,067
The depreciation of capital assets used in governmental activities is not reported in the funds.		(515,334)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(51,018)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		<u>54,584</u>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>(304,757)</u></u>

The accompanying notes are an integral part of this statement.

**SABINE COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2014**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 599,813
Restricted Assets:	
Cash and Cash Equivalents	<u>650,602</u>
Total Assets and Other Debits	<u>1,250,415</u>
<b>LIABILITIES:</b>	
Due to County	\$ 332,079
Due to Other Beneficiaries	<u>918,336</u>
Total Liabilities	<u>1,250,415</u>
<b>NET POSITION</b>	
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, 2014

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 have 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, 2014

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 fund 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. The County transfers federal funds to Road and Bridge that it receives for the federal forest.

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, 2014**

**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 \$135,781 at December 31, 2014.

**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.

**e. Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

f. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not 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.

g. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item,

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source – property taxes. This amount is deferred and recognized as an inflow of resources in the period that the taxes become available.

**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, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,377,236 and the bank balance was \$8,912,891. The County's cash deposits at December 31, 2014 and during the year ended December 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

**Investments:**

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

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

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

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

The County's investments at December 31, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of deposit - Road & Bridge 1	< 1 year	\$ 779,372
Certificates of deposit - Road & Bridge 2	< 1 year	403,878
Certificates of deposit - Road & Bridge 3	< 1 year	403,878
Certificates of deposit - Road & Bridge 4	< 1 year	403,878
Total Investments		<u>\$ 1,991,006</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.

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

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital Assets not being depreciated:</b>				
Land	\$ 120,714	\$ -	\$ -	\$ 120,714
Construction in progress	-	-	-	-
<b>Total Capital Assets not being depreciated</b>	<b>120,714</b>	<b>-</b>	<b>-</b>	<b>120,714</b>
 <b>Capital Assets being depreciated:</b>				
Buildings and improvements	1,216,026	-	-	1,216,026
Equipment	3,273,443	-	-	3,273,443
Vehicles	780,105	26,067	-	806,172
Road and bridge Infrastructure	4,932,684	-	-	4,932,684
<b>Total capital assets being depreciated</b>	<b>10,202,258</b>	<b>26,067</b>	<b>-</b>	<b>10,228,325</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(760,256)	(32,895)	-	(793,151)
Equipment	(2,305,473)	(235,893)	-	(2,541,366)
Vehicles	(385,015)	(138,895)	-	(523,910)
Road and bridge Infrastructure	(3,520,928)	(107,651)	-	(3,628,579)
<b>Total accumulated depreciation</b>	<b>(6,971,672)</b>	<b>(515,334)</b>	<b>-</b>	<b>(7,487,006)</b>
<b>Total capital assets being depreciated, net</b>	<b>3,230,586</b>	<b>(489,267)</b>	<b>-</b>	<b>2,741,319</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,351,300</b>	<b>\$ (489,267)</b>	<b>\$ -</b>	<b>\$ 2,862,033</b>

Depreciation was charged to functions as follows:

General Government	\$ 15,243
Judicial	22,620
Public safety	93,261
Highways and streets	375,867
Financial	8,343
	<u>\$ 515,334</u>

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at December 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Agency Funds	\$ 332,079	Transfer fee office receipts
Road & Bridge #1	General Fund	\$ 3,120	Overweight fines from state
Road & Bridge #2	General Fund	\$ 3,250	Overweight fines from state
Road & Bridge #3	General Fund	\$ 3,250	Overweight fines from state
Road & Bridge #4	General Fund	\$ 3,380	Overweight fines from state
	Total	<u>\$ 345,079</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, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Special Revenue Fund:			
General Fund	Road & Bridge #1	\$ 142,189	To transfer Federal Forest funds to road & bridge funds.
General Fund	Road & Bridge #2	\$ 148,114	
General Fund	Road & Bridge #3	\$ 148,116	
General Fund	Road & Bridge #4	\$ 154,040	
		<u>\$ 592,459</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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Capital Leases	\$ 231,416	\$ -	\$ 54,581	\$ 176,835	\$ 56,707
Total Governmental Activities	<u>\$ 231,416</u>	<u>\$ -</u>	<u>\$ 54,581</u>	<u>\$ 176,835</u>	<u>\$ 56,707</u>



SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

2. Description of Capital Leases

Capital leases as of December 31, 2014 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 2018, with an interest rate of 3.895%.	\$ 176,835
<b>Total Capital Leases</b>	<b>\$ 176,835</b>

As of December 31, 2014, equipment under capital lease totaled \$286,307, with accumulated depreciation of \$157,469. Current year depreciation totaled \$57,261.

3. Future requirements

Debt service requirements on long-term debt at December 31, 2014, are as follows:

Year ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 56,707	\$ 6,888	\$ 63,595
2016	58,916	4,679	63,595
2017	61,212	2,383	63,595
<b>Totals</b>	<b>\$ 176,835</b>	<b>\$ 13,950</b>	<b>\$ 190,785</b>

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, 2014, as follows:

Year Ending December 31,	
2015	\$ 31,121
<b>Total Minimum Rentals</b>	<b>\$ 31,121</b>
 Rental Expenditures in 2014	 <b>\$ 46,468</b>

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 2014, 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.

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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.

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 5.21% for the months in calendar year 2013 and 5.54% for the months in calendar year 2014.

Annual Pension Cost: For 2014, the County's annual pension cost of \$109,848 for TCDRS was equal to the County's required contributions.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 85,579	100%	\$ -
December 31, 2013	102,586	100%	-
December 31, 2014	109,848	100%	-

The required contribution was determined as part of the December 31, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013, included (a) 8.0% percent investment rate of return (net of investment expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. 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, 2013, was 30 years. This actuarial information is summarized below.

	<u>Fiscal Year Ended</u>		
	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
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)	5 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%	4.9%	4.9%
Inflation Rate	3.5%	3.0%	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

SABINE COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Funded Status and Funding Progress:** As of December 31, 2014, the most recent actuarial valuation date, the plan was 102% funded. The actuarial accrued liability for benefits was \$4,379,737, and the actuarial value of assets was \$4,458,319, resulting in an overfunded actuarial accrued liability (OAAL) of \$78,582. The covered payroll (annual payroll of active employees covered by the plan) was \$1,982,820, and the ratio of the OAAL to the covered payroll was 3.96%.

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		
	12/31/2012	12/31/2013	12/31/2014
Annual Pension Cost (APC)	\$ 85,579	\$ 102,586	\$ 109,848
Percentage of APC contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial value of assets	3,947,353	4,227,177	4,458,319
Actuarial accrued liability (AAL)	3,814,924	4,115,723	4,379,737
Unfunded (overfunded) AAL (UAAL or OAAL)	(132,429)	(111,454)	(78,582)
Funded ratio	103%	103%	102%
Annual covered payroll	1,793,126	1,964,138	1,982,820
UAAL (OAAL) as percentage of covered payroll	-7.39%	-5.67%	-3.96%

J. Health Care Coverage

During the year ended December 31, 2014, 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 collectability 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 as of December 31, 2014.

L. Subsequent Events

Management has evaluated subsequent events through August 7, 2015, 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, 2014**

**EXHIBIT B-1**  
**Page 1 of 6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General property taxes	\$ 2,467,372	\$ 2,467,372	\$ 2,381,478	\$ (85,894)
General sales and use taxes	300,000	300,000	295,563	(4,437)
Other taxes	500	500	2,453	1,953
Total Taxes	<u>2,767,872</u>	<u>2,767,872</u>	<u>2,679,494</u>	<u>(88,378)</u>
Intergovernmental:				
Tax collection fees	57,400	57,400	66,531	9,131
Federal Forest program	--	1,184,919	1,184,918	(1)
Salary supplements	75,100	75,100	73,345	(1,755)
Other grants	33,500	33,500	44,844	11,344
Total Intergovernmental	<u>166,000</u>	<u>1,350,919</u>	<u>1,369,638</u>	<u>18,719</u>
Fines and Fees of County Offices:				
Fees of office	219,575	227,525	288,488	60,963
Other fines and fees	118,395	120,245	145,658	25,413
Total Fees of County Offices	<u>337,970</u>	<u>347,770</u>	<u>434,146</u>	<u>86,376</u>
Interest Income	<u>32,000</u>	<u>32,000</u>	<u>39,638</u>	<u>7,638</u>
Other Income:				
Miscellaneous income	14,800	14,800	86,259	71,459
Total Other Income	<u>14,800</u>	<u>14,800</u>	<u>86,259</u>	<u>71,459</u>
Total Revenues	<u>3,318,642</u>	<u>4,513,361</u>	<u>4,609,175</u>	<u>95,814</u>
Expenditures:				
Current:				
General Government:				
County Judge:				
Salaries	74,462	74,462	68,209	6,253
Benefits	21,967	21,967	20,902	1,065
Car allowance and travel	1,300	1,300	--	1,300
Office, postage, and copier	500	500	243	257
Utilities	661	661	660	1
Insurance	359	359	358	1
Continuing education	995	995	995	--
Capital outlays	400	400	--	400
Total County Judge	<u>100,644</u>	<u>100,644</u>	<u>91,367</u>	<u>9,277</u>
County Clerk:				
Salaries	138,928	142,567	140,551	2,016
Benefits	53,868	54,843	54,398	445
Office, postage, and copier	9,050	9,227	7,694	1,533
Utilities	650	650	600	50
Maintenance	26,000	25,187	25,187	--
Insurance	1,000	1,000	925	75
Continuing education	4,200	4,200	3,362	838
Professional fees	18,700	14,722	11,606	3,116
Library costs	1,500	4,902	4,902	--
Total County Clerk	<u>253,896</u>	<u>257,298</u>	<u>249,225</u>	<u>8,073</u>

**SABINE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Veterans Affairs:</b>				
Salaries	11,816	13,233	13,234	(1)
Benefits	1,650	1,767	1,602	165
Office, postage, and copier	500	500	454	46
Maintenance	800	284	--	284
Continuing education	2,000	982	982	--
<b>Total Veterans Affairs</b>	<b>16,766</b>	<b>16,766</b>	<b>16,272</b>	<b>494</b>
<b>Emergency Management:</b>				
Salaries	11,816	5,519	5,519	--
Benefits	2,333	1,613	732	881
Car allowance and travel	1,000	1,000	559	441
Office, postage, and copier	500	500	117	383
Utilities	650	1,370	1,369	1
Continuing education	1,800	--	--	--
Capital outlays	2,550	2,252	673	1,579
<b>Total Emergency Management</b>	<b>20,649</b>	<b>12,254</b>	<b>8,969</b>	<b>3,285</b>
<b>Courthouse:</b>				
Salaries	18,314	18,314	18,306	8
Benefits	10,811	10,811	10,734	77
Office, postage, and copier	4,000	4,000	2,879	1,121
Utilities	35,000	35,000	33,840	1,160
Maintenance	40,000	25,486	19,809	5,677
<b>Total Courthouse</b>	<b>108,125</b>	<b>93,611</b>	<b>85,568</b>	<b>8,043</b>
<b>Non-Departmental:</b>				
Benefits	15,000	10,130	--	10,130
Office, postage, and copier	30,100	30,100	25,000	5,100
Maintenance	3,000	3,000	1,933	1,067
Insurance	33,000	33,000	24,773	8,227
Professional fees	35,000	39,750	29,750	10,000
Senior citizen assistance	15,800	15,800	15,000	800
Child safety and assistance	500	500	500	--
Other assistance	9,602	9,602	9,602	--
Emergency and ambulance services	18,167	18,167	18,166	1
Volunteer fire patrol	10,000	10,000	10,000	--
Autopsy fees	25,000	25,000	17,800	7,200
Library	15,000	15,000	15,000	--
Historical and cultural	150	150	--	150
Litter control and recycling	600	720	719	1
Other charges	41,000	37,598	9,312	28,286
Capital outlays	75,000	73,630	42,353	31,277
<b>Total Non-Departmental</b>	<b>326,919</b>	<b>322,147</b>	<b>219,908</b>	<b>102,239</b>
<b>Flood Plain:</b>				
Office, postage, and copier	20	200	--	200
Continuing education	1,400	1,400	--	1,400
<b>Total Flood Plain</b>	<b>1,420</b>	<b>1,600</b>	<b>--</b>	<b>1,600</b>
<b>Total General Government</b>	<b>828,419</b>	<b>804,320</b>	<b>671,309</b>	<b>133,011</b>

**SABINE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-1**  
**Page 3 of 6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Judicial:				
County Court at Law:				
Court appointed attorneys	5,000	5,000	2,825	2,175
Jury and court costs	2,600	2,600	1,271	1,329
Total County Court at Law	<u>7,600</u>	<u>7,600</u>	<u>4,096</u>	<u>3,504</u>
District Court:				
Salaries	48,474	48,474	46,517	1,957
Benefits	18,600	18,600	18,146	454
Car allowance and travel	1,500	1,500	827	673
Office, postage, and copier	6,962	6,962	6,961	1
Court appointed attorneys	43,319	43,319	37,713	5,606
Jury and court costs	11,073	11,073	9,272	1,801
Total District Court	<u>129,928</u>	<u>129,928</u>	<u>119,436</u>	<u>10,492</u>
District Attorney:				
Salaries	47,303	47,303	47,303	--
Benefits	14,878	14,878	14,185	693
Car allowance and travel	500	500	304	196
Office, postage, and copier	4,612	4,612	1,616	2,996
Insurance	18	18	18	--
Continuing education	2,586	2,586	2,585	1
Total District Attorney	<u>69,897</u>	<u>69,897</u>	<u>66,011</u>	<u>3,886</u>
District Clerk:				
Salaries	69,960	63,960	65,289	(1,329)
Benefits	10,666	24,706	24,151	555
Office, postage, and copier	10,000	12,458	12,458	--
Utilities	650	650	598	52
Maintenance	7,500	7,764	7,764	--
Insurance	300	300	239	61
Continuing education	2,500	1,816	1,785	31
Library costs	4,000	7,962	7,961	1
Capital outlays	2,798	2,798	2,641	157
Total District Clerk	<u>108,374</u>	<u>122,414</u>	<u>122,886</u>	<u>(472)</u>
Justice of the Peace #1:				
Salaries	61,302	61,302	61,773	(471)
Benefits	23,943	23,943	23,893	50
Car allowance and travel	833	833	606	227
Office, postage, and copier	641	641	640	1
Utilities	650	650	589	61
Maintenance	8,960	8,960	8,960	--
Insurance	181	181	181	--
Continuing education	2,680	2,680	2,679	1
Total Justice of the Peace #1	<u>99,190</u>	<u>99,190</u>	<u>99,321</u>	<u>(131)</u>
Justice of the Peace #2:				
Salaries	59,633	59,633	62,398	(2,765)
Benefits	23,711	23,711	23,664	47
Car allowance and travel	500	500	--	500
Office, postage, and copier	1,200	1,200	775	425
Utilities	806	806	805	1

**SABINE COUNTY, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2014

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance	7,969	7,969	7,222	747
Insurance	300	300	181	119
Continuing education	775	775	640	135
Jury and court costs	100	100	--	100
Total Justice of the Peace #2	94,994	94,994	95,685	(691)
Courthouse Security:				
Office, postage, and copier	4,500	19,014	19,013	1
Total Courthouse Security	4,500	19,014	19,013	1
DARE Program:				
Office, postage, and copier	7,000	9,800	9,772	28
Total DARE Program	7,000	9,800	9,772	28
Total Judicial	514,483	543,037	526,448	16,589
Legal:				
County Attorney:				
Salaries	96,191	96,191	96,083	108
Benefits	28,635	28,635	28,553	82
Office, postage, and copier	900	900	759	141
Utilities	1,011	1,011	959	52
Insurance	300	300	4	296
Continuing education	1,500	1,500	1,211	289
Capital outlays	334	334	--	334
Total County Attorney	128,871	128,871	127,569	1,302
Total Legal	128,871	128,871	127,569	1,302
Public Safety:				
Constable Pct #1:				
Salaries	22,138	22,138	22,137	1
Benefits	11,206	11,206	11,128	78
Fuel, oil, and tires	3,800	3,800	2,830	970
Insurance	178	178	178	--
Continuing education	1,000	1,000	--	1,000
Capital outlays	222	222	197	25
Total Constable Pct #1	38,544	38,544	36,470	2,074
Constable Pct #2:				
Salaries	23,927	23,927	23,928	(1)
Benefits	11,482	11,482	11,396	86
Fuel, oil, and tires	4,082	4,082	4,080	2
Insurance	100	100	--	100
Continuing education	1,000	1,000	--	1,000
Capital outlays	18	18	--	18
Total Constable Pct #2	40,609	40,609	39,404	1,205
Sheriff:				
Salaries	621,147	601,492	596,896	4,596
Benefits	235,904	218,264	218,253	11
Car allowance and travel	3,000	3,080	3,080	--
Office, postage, and copier	11,150	11,882	11,845	37



**SABINE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Utilities	45,500	45,100	44,110	990
Fuel, oil, and tires	69,000	62,040	62,039	1
Maintenance	30,000	38,805	38,805	—
Insurance	16,160	16,154	15,916	238
Continuing education	3,000	1,001	1,001	—
Equipment leasing	15,000	16,505	16,504	1
Prisoner housing costs	46,500	114,536	113,992	544
Capital outlays	53,500	46,973	46,970	3
Total Sheriff	1,149,861	1,175,832	1,169,411	6,421
Probation:				
Utilities	1,600	1,600	1,062	538
Probation fees	13,046	13,046	13,046	—
Total Probation	14,646	14,646	14,108	538
9-1-1:				
Salaries	24,524	28,771	30,327	(1,556)
Benefits	11,219	11,802	11,779	23
Car allowance and travel	1,000	1,000	561	439
Office, postage, and copier	2,500	5,819	5,819	—
Utilities	—	170	169	1
Continuing education	2,000	2,076	2,076	—
Total 9-1-1	41,243	49,638	50,731	(1,093)
Child Safety:				
Office, postage, and copier	—	7,000	6,993	7
Total Child Safety	—	7,000	6,993	7
Total Public Safety	1,291,903	1,336,069	1,326,889	9,180
Financial Administration:				
County Auditor:				
Salaries	61,500	35,529	33,439	2,090
Benefits	16,358	16,358	12,427	3,931
Office, postage, and copier	1,000	1,000	277	723
Utilities	—	356	356	—
Continuing education	2,200	2,200	1,659	541
Capital outlays	800	444	390	54
Total County Auditor	81,858	55,887	48,548	7,339
County Treasurer:				
Salaries	84,666	84,666	83,842	824
Benefits	34,971	34,971	34,801	170
Office, postage, and copier	4,500	4,500	3,148	1,352
Utilities	684	684	684	—
Maintenance	4,828	4,828	2,996	1,832
Insurance	675	675	594	81
Continuing education	4,038	4,038	4,038	—
Capital outlays	500	500	374	126
Total County Treasurer	134,862	134,862	130,477	4,385
Tax Assessor / Collector:				
Salaries	156,845	156,845	158,994	(2,149)

**SABINE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-1**  
**Page 6 of 6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Benefits	69,316	68,516	68,284	232
Car allowance and travel	100	238	238	--
Office, postage, and copier	10,040	7,830	7,817	13
Utilities	2,200	2,282	2,282	--
Maintenance	3,600	6,500	6,500	--
Insurance	1,000	1,603	1,602	1
Continuing education	7,500	5,438	5,437	1
Appraisal District payments	61,654	61,655	61,654	1
Equipment leasing	27,542	30,189	30,189	--
Other charges	2,000	2,071	2,071	--
Total Tax Assessor / Collector	341,797	343,167	345,068	(1,901)
Total Financial Administration	558,517	533,916	524,093	9,823
Conservation				
County Agent:				
Salaries	20,052	20,052	14,356	5,696
Benefits	2,780	2,780	1,980	800
Car allowance and travel	12,886	12,886	9,285	3,601
Office, postage, and copier	1,500	1,500	140	1,360
Utilities	650	650	82	568
Continuing education	2,000	2,000	715	1,285
Total County Agent	39,868	39,868	26,558	13,310
Total Conservation	39,868	39,868	26,558	13,310
Pass-Through to Other Entities:				
Federal Forest payments to schools	--	592,460	592,459	1
Total Pass-Through to Other Entities	--	592,460	592,459	1
Total Expenditures	3,362,061	3,978,541	3,795,325	183,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,419)	534,820	813,850	279,030
Other Financing Sources (Uses):				
Operating transfers out	--	(592,459)	(592,459)	--
Total Other Financing Sources (Uses)	--	(592,459)	(592,459)	--
Net Change in Fund Balances	(43,419)	(57,639)	221,391	279,030
Fund Balances - Beginning	2,705,367	2,705,367	2,705,367	--
Fund Balances - Ending	\$ 2,661,948	\$ 2,647,728	\$ 2,926,758	\$ 279,030

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-2**  
**Page 1 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,400	\$ 4,400	\$ 4,448	\$ 48
Payments in lieu of taxes	7,900	7,900	8,787	887
Total Intergovernmental	12,300	12,300	13,235	935
Fines and Fees of County Offices:				
Licenses & permits	116,000	116,000	109,448	(6,552)
Total Fees of County Offices	116,000	116,000	109,448	(6,552)
Interest Income	14,000	14,000	16,793	2,793
Other Income:				
Culvert reimbursement	2,100	2,100	2,652	552
Miscellaneous income	200	200	7,807	7,607
Total Other Income	2,300	2,300	10,459	8,159
Total Revenues	144,600	144,600	149,935	5,335
Expenditures:				
Current:				
Highways and Streets:				
Salaries	145,946	145,946	126,111	19,835
Benefits	48,326	48,326	45,013	3,313
Car allowance and travel	1,800	1,800	993	807
Road materials	58,485	58,485	25,376	33,109
Office, postage, and copier	3,338	3,338	1,498	1,840
Utilities	4,338	4,338	3,949	389
Fuel, oil, and tires	51,227	51,227	34,136	17,091
Maintenance	36,713	36,713	30,771	5,942
Insurance	5,845	5,845	5,411	434
Equipment leasing	30,000	30,000	--	30,000
Continuing education	500	500	450	50
Capital outlays	5,000	5,000	1,000	4,000
Total Highways and Streets	391,518	391,518	274,708	116,810
Debt Service:				
Principal	--	--	13,646	(13,646)
Interest	--	--	2,253	(2,253)
Total Debt Service	--	--	15,899	(15,899)
Total Expenditures	391,518	391,518	290,607	100,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	(246,918)	(246,918)	(140,672)	106,246
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	142,189	117,189
Operating transfers out	(53,082)	(53,082)	--	(53,082)
Total Other Financing Sources (Uses)	(28,082)	(28,082)	142,189	(170,271)
Net Change in Fund Balances	(275,000)	(275,000)	1,517	276,517

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #1**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-2**  
**Page 2 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balances - Beginning	1,194,170	1,194,170	1,194,170	--
Fund Balances - Ending	<u>\$ 919,170</u>	<u>\$ 919,170</u>	<u>\$ 1,195,687</u>	<u>\$ 276,517</u>

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #2**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-3**  
**Page 1 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,600	\$ 4,600	\$ 4,633	\$ 33
Payments in lieu of taxes	8,400	8,400	9,154	754
Total Intergovernmental	13,000	13,000	13,787	787
Fines and Fees of County Offices:				
Licenses & permits	117,000	117,000	114,009	(2,991)
Total Fees of County Offices	117,000	117,000	114,009	(2,991)
Interest Income	--	--	12,284	12,284
Other Income:				
Rental income	--	--	7,798	7,798
Road base/Road oil reimbursement	200	200	--	(200)
Culvert reimbursement	6,000	6,000	7,098	1,098
Total Other Income	6,200	6,200	14,896	8,696
Total Revenues	136,200	136,200	154,976	18,776
Expenditures:				
Current:				
Highways and Streets:				
Salaries	131,299	131,299	121,683	9,616
Benefits	50,626	50,626	49,112	1,514
Car allowance and travel	2,000	2,000	1,810	190
Road materials	162,158	162,158	43,444	118,714
Office, postage, and copier	3,155	3,155	1,797	1,358
Utilities	1,897	1,897	1,729	168
Fuel, oil, and tires	58,975	58,975	41,838	17,137
Maintenance	25,000	25,000	8,642	16,358
Insurance	4,375	4,375	4,032	343
Equipment leasing	30,000	30,000	1,950	28,050
Continuing education	500	500	450	50
Capital outlays	51,215	51,215	1,000	50,215
Total Highways and Streets	521,200	521,200	277,487	243,713
Debt Service:				
Principal	--	--	13,646	(13,646)
Interest	--	--	2,253	(2,253)
Total Debt Service	--	--	15,899	(15,899)
Total Expenditures	521,200	521,200	293,386	227,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	(385,000)	(385,000)	(138,410)	246,590
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	148,114	123,114
Total Other Financing Sources (Uses)	25,000	25,000	148,114	(123,114)
Net Change in Fund Balances	(360,000)	(360,000)	9,704	369,704

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #2**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-3**  
**Page 2 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balances - Beginning	861,380	861,380	861,380	---
Fund Balances - Ending	<u>\$ 501,380</u>	<u>\$ 501,380</u>	<u>\$ 871,084</u>	<u>\$ 369,704</u>

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #3**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-4**  
**Page 1 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,600	\$ 4,600	\$ 4,632	\$ 32
Payments in lieu of taxes	8,400	8,400	9,154	754
Total Intergovernmental	13,000	13,000	13,786	786
Fines and Fees of County Offices:				
Licenses & permits	117,000	117,000	114,009	(2,991)
Total Fees of County Offices	117,000	117,000	114,009	(2,991)
Interest Income	10,000	10,000	12,284	2,284
Other Income:				
Rental income	600	600	1,808	1,208
Miscellaneous income	200	200	10,453	10,253
Total Other Income	800	800	12,261	11,461
Total Revenues	140,800	140,800	152,340	11,540
Expenditures:				
Current:				
Highways and Streets:				
Salaries	154,873	154,873	125,579	29,294
Benefits	55,307	55,307	33,805	21,502
Road materials	135,600	141,290	66,884	74,406
Office, postage, and copier	11,000	11,000	2,749	8,251
Utilities	2,900	2,900	2,508	392
Fuel, oil, and tires	58,084	60,321	45,030	15,291
Maintenance	26,000	35,602	22,262	13,340
Insurance	5,070	5,125	4,102	1,023
Equipment leasing	30,000	30,000	--	30,000
Continuing education	500	500	450	50
Capital outlays	36,466	36,466	--	36,466
Total Highways and Streets	515,800	533,384	303,369	230,015
Debt Service:				
Principal	--	--	13,646	(13,646)
Interest	--	--	2,253	(2,253)
Total Debt Service	--	--	15,899	(15,899)
Total Expenditures	515,800	533,384	319,268	214,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	(375,000)	(392,584)	(166,928)	225,656
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	148,116	123,116
Total Other Financing Sources (Uses)	25,000	25,000	148,116	(123,116)
Net Change in Fund Balances	(350,000)	(367,584)	(18,812)	348,772
Fund Balances - Beginning	789,639	789,639	789,639	--

**SABINE COUNTY, TEXAS**  
ROAD & BRIDGE #3  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2014

**EXHIBIT B-4**  
Page 2 of 2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Fund Balances - Ending	\$ <u>439,639</u>	\$ <u>422,055</u>	\$ <u>770,827</u>	\$ <u>348,772</u>



**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #4**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-5**  
**Page 1 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental:				
Lateral road fees	\$ 4,600	\$ 4,600	\$ 4,817	\$ 217
Payments in lieu of taxes	8,800	8,800	9,520	720
Total Intergovernmental	13,400	13,400	14,337	937
Fines and Fees of County Offices:				
Licenses & permits	118,000	118,000	118,569	569
Total Fees of County Offices	118,000	118,000	118,569	569
Interest Income	10,000	10,000	12,284	2,284
Other Income:				
Culvert reimbursement	2,000	2,000	5,673	3,673
Miscellaneous income	400	400	8,094	7,694
Total Other Income	2,400	2,400	13,767	11,367
Total Revenues	143,800	143,800	158,957	15,157
Expenditures:				
Current:				
Highways and Streets:				
Salaries	146,687	146,687	128,121	18,566
Benefits	57,495	57,495	47,544	9,951
Car allowance and travel	1,800	1,800	1,517	283
Road materials	172,200	170,176	126,489	43,687
Office, postage, and copier	3,400	4,473	2,539	1,934
Utilities	2,300	2,894	2,700	194
Fuel, oil, and tires	48,750	48,933	33,374	15,559
Maintenance	17,500	17,500	6,843	10,657
Insurance	5,430	5,787	5,686	101
Equipment leasing	30,000	30,000	--	30,000
Continuing education	500	500	450	50
Capital outlays	257,738	257,738	1,000	256,738
Total Highways and Streets	743,800	743,983	356,263	387,720
Debt Service:				
Principal	--	--	13,646	(13,646)
Interest	--	--	2,253	(2,253)
Total Debt Service	--	--	15,899	(15,899)
Total Expenditures	743,800	743,983	372,162	371,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	(600,000)	(600,183)	(213,205)	386,978
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	154,040	129,040
Total Other Financing Sources (Uses)	25,000	25,000	154,040	(129,040)
Net Change in Fund Balances	(575,000)	(575,183)	(59,165)	516,018

**SABINE COUNTY, TEXAS**  
**ROAD & BRIDGE #4**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**EXHIBIT B-5**  
**Page 2 of 2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balances - Beginning	1,256,388	1,256,388	1,256,388	—
Fund Balances - Ending	<u>\$ 681,388</u>	<u>\$ 681,205</u>	<u>\$ 1,197,223</u>	<u>\$ 516,018</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, 2014**

	Appellate Judicial System Fund	District Clerk Record Archive Fee	Convention Center Building	Records Retention
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9	\$ 948	\$ 51,323	\$ 83,277
Receivables ( net of allowances for uncollectibles):				
Due from Others	--	--	--	--
Due from Other Funds	--	--	--	--
Due from Agency Funds	65	110	--	2,138
Total Assets	<u>74</u>	<u>1,058</u>	<u>51,323</u>	<u>85,415</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 50	\$ --	\$ --	\$ 155
Total Liabilities	<u>50</u>	<u>--</u>	<u>--</u>	<u>155</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted Fund Balances:				
Restricted for Road and Bridge Maintenance	--	--	--	--
Restricted for Hotel/Motel Tax	--	--	--	--
Restricted for Federal and State Grants	--	--	--	--
Restricted for Construction	--	--	51,323	--
Restricted for Record Retention	--	1,058	--	85,260
Restricted for Judicial & Law Enforcement	24	--	--	--
Total Fund Balance	<u>24</u>	<u>1,058</u>	<u>51,323</u>	<u>85,260</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 74</u>	 <u>\$ 1,058</u>	 <u>\$ 51,323</u>	 <u>\$ 85,415</u>

Hotel/ Motel Tax	District Clerk Special	Forest Service	County Clerk Archive	Community Development Grant #710631
\$ 70,349	\$ 8,736	\$ 121,517	\$ 37,771	\$ --
10,367	--	--	--	--
--	--	--	--	--
--	155	--	2,085	--
<u>80,716</u>	<u>8,891</u>	<u>121,517</u>	<u>39,856</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
80,716	--	--	--	--
--	--	121,517	--	--
--	--	--	--	--
--	8,891	--	39,856	--
--	--	--	--	--
<u>80,716</u>	<u>8,891</u>	<u>121,517</u>	<u>39,856</u>	<u>--</u>
\$ <u>80,716</u>	\$ <u>8,891</u>	\$ <u>121,517</u>	\$ <u>39,856</u>	\$ <u>--</u>

**SABINE COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2014**

	<b>CDBG Pendleton Harbor</b>	<b>Road &amp; Bridge Special</b>	<b>Total Nonmajor Special Revenue Funds (See Exhibit A-3)</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ --	\$ 1,468	\$ 375,398
Receivables ( net of allowances for uncollectibles):			
Due from Others	--	--	10,367
Due from Other Funds	--	542	542
Due from Agency Funds	--	--	4,553
Total Assets	<u>--</u>	<u>2,010</u>	<u>390,860</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ --	\$ --	\$ 205
Total Liabilities	<u>--</u>	<u>--</u>	<u>205</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted Fund Balances:			
Restricted for Road and Bridge Maintenance	--	2,010	2,010
Restricted for Hotel/Motel Tax	--	--	80,716
Restricted for Federal and State Grants	--	--	121,517
Restricted for Construction	--	--	51,323
Restricted for Record Retention	--	--	135,065
Restricted for Judicial & Law Enforcement	--	--	24
Total Fund Balance	<u>--</u>	<u>2,010</u>	<u>390,655</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ --</u>	 <u>\$ 2,010</u>	 <u>\$ 390,860</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, 2014

	Appellate Judicial System Fund	District Clerk Record Archive Fee	Convention Center Building
Revenue:			
Intergovernmental	\$ --	\$ --	\$ --
Fees	955	1,485	--
Interest Income	2	43	642
Total Revenue	<u>957</u>	<u>1,528</u>	<u>642</u>
Expenditures:			
Current:			
General government	--	4,685	--
Judicial	970	--	--
Highways and streets	--	--	--
Pass-through to other entities	--	--	--
Total Expenditures	<u>970</u>	<u>4,685</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13)</u>	<u>(3,157)</u>	<u>642</u>
Net Change in Fund Balances	<u>(13)</u>	<u>(3,157)</u>	<u>642</u>
Fund Balances - Beginning	37	4,215	50,681
Fund Balances - Ending	<u>\$ 24</u>	<u>\$ 1,058</u>	<u>\$ 51,323</u>

Records Retention	Hotel/ Motel Tax	District Clerk Special	Forest Service	County Clerk Archive
\$ --	\$ --	\$ --	\$ --	\$ --
23,999	77,058	2,163	--	23,625
993	835	99	--	470
<u>24,992</u>	<u>77,893</u>	<u>2,262</u>	<u>--</u>	<u>24,095</u>
10,067	66,384	964	--	25,000
--	--	--	--	--
--	--	--	--	--
<u>10,067</u>	<u>66,384</u>	<u>964</u>	<u>--</u>	<u>25,000</u>
14,925	11,509	1,298	--	(905)
<u>14,925</u>	<u>11,509</u>	<u>1,298</u>	<u>--</u>	<u>(905)</u>
70,335	69,207	7,593	121,517	40,761
<u>\$ 85,260</u>	<u>\$ 80,716</u>	<u>\$ 8,891</u>	<u>\$ 121,517</u>	<u>\$ 39,856</u>

**SABINE COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	CDBG Pendleton Harbor	Road & Bridge Special	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
Revenue:			
Intergovernmental	\$ 261,380	\$ --	\$ 261,380
Fees	--	4,000	133,285
Interest Income	--	--	3,084
Total Revenue	<u>261,380</u>	<u>4,000</u>	<u>397,749</u>
Expenditures:			
Current:			
General government	--	--	107,100
Judicial	--	--	970
Highways and streets	--	1,990	1,990
Pass-through to other entities	261,380	--	261,380
Total Expenditures	<u>261,380</u>	<u>1,990</u>	<u>371,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>2,010</u>	<u>26,309</u>
Net Change in Fund Balances	<u>--</u>	<u>2,010</u>	<u>26,309</u>
Fund Balances - Beginning	--	--	364,346
Fund Balances - Ending	<u>\$ --</u>	<u>\$ 2,010</u>	<u>\$ 390,655</u>

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**SABINE COUNTY, TEXAS****COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****AGENCY FUNDS****DECEMBER 31, 2014**

	<u>Tax Assessor - Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>
ASSETS:			
Cash and Cash Equivalents	\$ 547,479	\$ --	\$ --
Restricted Assets:			
Cash and Cash Equivalents	<u>--</u>	<u>41,283</u>	<u>609,319</u>
Total Assets and Other Debits	<u>547,479</u>	<u>41,283</u>	<u>609,319</u>
LIABILITIES:			
Due to County	\$ 292,012	\$ --	\$ --
Due to Other Beneficiaries	<u>255,467</u>	<u>41,283</u>	<u>609,319</u>
Total Liabilities	<u>547,479</u>	<u>41,283</u>	<u>609,319</u>
NET POSITION			
Total Net Position	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

County Sheriff	Justice of Peace #1	County Attorney	Treasurer Fee Account	Total Agency Funds (See Exhibit A-7)
\$ 9,901	\$ --	\$ 5,367	\$ 37,066	\$ 599,813
--	--	--	--	650,602
<u>9,901</u>	<u>--</u>	<u>5,367</u>	<u>37,066</u>	<u>1,250,415</u>
\$ --	\$ --	\$ 3,001	\$ 37,066	\$ 332,079
9,901	--	2,366	--	918,336
<u>9,901</u>	<u>--</u>	<u>5,367</u>	<u>37,066</u>	<u>1,250,415</u>
\$ --	\$ --	\$ --	\$ --	\$ --

**Halls, Johnson, McLemore & Redfield, LLP**  
1329 N. University Dr.  
Nacogdoches, Texas 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, 2014, 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 August 7, 2015.

**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,

A handwritten signature in black ink that reads "Halls, Johnson, McLemore & Redfield, LLP". The signature is written in a cursive, flowing style.

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas  
August 7, 2015



**Halls, Johnson, McLemore & Redfield, LLP**  
1329 N. University Dr.  
Nacogdoches, Texas 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, 2014. 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, 2014.

**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, Texas  
August 7, 2015

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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.

**SABINE COUNTY, TEXAS****SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014****A. Summary of Auditor's Results****1. Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

       Yes   X   NoOne or more significant deficiencies identified that  
are not considered to be material weaknesses?       Yes   X   None ReportedNoncompliance material to financial  
statements noted?       Yes   X   No**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?

       Yes   X   NoOne or more significant deficiencies identified that  
are not considered to be material weaknesses?       Yes   X   None ReportedType of auditor's report issued on compliance for  
major programs:UnmodifiedAny 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:

CFDA Number(s)

10.666

14.228

Name of Federal Program or Cluster

Schools and Roads - Grants to States

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, 2014**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior year findings.		

**SABINE COUNTY, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

N/A - No current year findings.

**SABINE COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**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>
<b><u>U. S. DEPARTMENT OF THE INTERIOR</u></b>			
Direct Program:			
Payment in Lieu of Taxes	15.227	None	\$ 36,614
Total U. S. Department of the Interior			<u>36,614</u>
<b><u>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
Passed Through Texas General Land Office:			
Community Development Block Grant *	14.228	12-641-000-7063	3,100,014
Passed Through Texas Department of Agriculture:			
Community Development Block Grant *	14.228	712037	261,380
Total U. S. Department of Housing & Urban Development			<u>3,361,394</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through Texas Comptroller:			
Schools and Roads - Grants to States *	10.666	None	1,184,919
Total U. S. Department of Agriculture			<u>1,184,919</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 4,582,927</u></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, 2014

### 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	10.666	\$ 592,459
Community Development Block Grant	14.228	261,380
Total Provided to Subrecipients		<u>\$ 853,839</u>