

# **BOWIE COUNTY, TEXAS**

## **ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2014**

# **BOWIE COUNTY, TEXAS**

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## **FINANCIAL SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge  
And Members of the Commissioners' Court  
Bowie County  
New Boston, Texas

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 4 to the financial statements, the County had a deficit fund balance in the Debt Service Fund as of September, 2014, resulting from the issuance of a short-term tax note. Our opinion is not modified with respect to this matter.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2014 the County adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, the Statement of Revenues and Expenditures – Budget and Actual – General Fund on pages 35-36, and the schedules of funding progress on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because

the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, LLP*

Waco, Texas  
April 10, 2015



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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

This section of the Bowie County, Texas (the "County") financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2014.

### **FINANCIAL HIGHLIGHTS**

- The County's total net position increased by \$3,812,800, or 20%, over the course of this year's operations.
- The total government-wide assets of the County exceeded the liabilities at September 30, 2014, by \$22,403,486 and is reported as total net position of the County. Of this amount, \$(8,548,423) represents a deficit unrestricted net position, \$12,275,959 is restricted for road improvements, public safety, public works and other purposes (restricted net position) and \$18,675,950 is the net investment in capital assets.
- As of September 30, 2014, the County's governmental funds reported combined fund balances of \$24,767,959, as compared to \$34,542,064 at September 30, 2013. This represented a decrease of \$9,774,105. This decrease can be primarily attributed to the County spending bond proceeds on capital projects.
- During the year, the County issued a \$5,000,000 short-term tax note to fund a projected cash flow deficit. The note will be paid back in fiscal year 2015 with an increase in property taxes levied for debt service.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets and liabilities, with the difference between the two representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges

(business-type activities). The governmental activities of the County include general government, public safety, public works and welfare.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. The County does not have any proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the governmental fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bowie County, assets exceeded liabilities by \$22,403,486 at the close of the most recent fiscal year. The following table indicates the County's financial position as of September 30, 2014 and September 30, 2013.

### BOWIE COUNTY'S NET POSITION

	Governmental Activities	
	2014	2013
Current assets	\$ 53,417,091	\$ 42,897,280
Capital assets	19,110,950	19,182,943
Total assets	<u>72,528,041</u>	<u>62,080,223</u>
Current liabilities	6,809,653	723,322
Noncurrent liabilities	43,314,902	42,495,354
Total liabilities	<u>50,124,555</u>	<u>43,218,676</u>
Net position:		
Net investment in capital assets	18,675,950	18,327,943
Restricted	12,275,959	1,044,510
Unrestricted	( 8,548,423)	( 510,906)
Total net position	<u>\$ 22,403,486</u>	<u>\$ 18,861,547</u>

The largest portion of the County's current fiscal year net position, \$18,675,950, reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure) less any related debt used to acquire these assets that is outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the County's current fiscal year net position, \$(8,548,423) represents an unrestricted deficit net position and \$12,275,959 represents restricted net position. The restricted net position has constraints which have been placed on the use of these resources either (a) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Current liabilities increased approximately \$6.1 million. This was primarily attributable to the issuance of a \$5,000,000 short-term tax note to fund a projected cash flow deficit.

The following table indicates the changes in net position for governmental activities:

	Governmental Activities	
	2014	2013
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 4,487,151	\$ 5,357,596
Operating grants and contributions	7,310,820	2,957,565
Capital grants and contributions	-	29,358
General revenues:		
Taxes - levied for general purposes	13,604,521	14,469,114
Taxes - levied for debt service	1,930,322	1,602,943
Sales taxes	5,902,942	5,645,525
Other taxes	215,032	189,590
Investment earnings	110,764	245,742
Miscellaneous	695,834	466,251
Total revenues	<u>34,257,386</u>	<u>30,963,684</u>
<b>EXPENSES</b>		
General government	8,391,923	8,837,413
Public safety	15,557,856	15,694,030
Public works	3,907,019	4,225,676
Health and welfare	1,231,107	1,063,610
Interest on long-term debt	1,356,681	1,344,426
Total expenses	<u>30,444,586</u>	<u>31,165,155</u>
<b>CHANGE IN NET POSITON</b>	3,812,800	( 201,471)
<b>PRIOR PERIOD ADJUSTMENT</b>	78,756	2,439,356
<b>CHANGE IN ACCOUNTING PRINCIPLES</b>	( 349,617)	-
<b>NET POSITION, BEGINNING</b>	<u>18,861,547</u>	<u>16,623,662</u>
<b>NET POSITION, ENDING</b>	<u>\$ 22,403,486</u>	<u>\$ 18,861,547</u>

Property taxes are collected to support governmental activities through the General, Road and Bridge Lateral, and Debt Service Funds. Property taxes decreased by \$537,214, or 3.7% for the fiscal year. This decrease was primarily due to the passage of a rollback election, which lowered the original tax rate. Income from charges for services decreased by \$870,445. These revenues decreased mainly due to the inability to obtain contracts for the housing of contract inmates. Grants and contributions increased approximately \$4.4 million during 2014 as expenditures increased under a TXDOT grant project for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82. Expenses for the County decreased \$720,569 during the fiscal year.

## FINANCIAL ANALYSIS OF MAJOR FUNDS

**Governmental Funds.** The County's major general government functions are contained in the General Fund. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2014, the County's governmental funds reported combined fund balances of \$24,767,959 as compared to \$34,542,064 at September 30, 2013.

The General Fund is the chief operating fund of the County. At September 30, 2014, the General Fund reported revenues of \$25,415,735 and expenditures of \$27,747,602 as compared to revenues of \$27,502,780 and expenditures of \$29,262,190 at September 30, 2013. Unassigned fund balance for the General Fund was positive at year-end due to the issuance of short-term obligations that will be paid back by an increase in property taxes levied for debt service in fiscal year 2015. The proceeds from the short-term tax note were used to pay for operating expenditures of the General Fund.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Charges for services revenues were below budgeted revenues by approximately \$750,000 due to the inability to obtain contracts for the housing of contract inmates.

Total General Fund expenditures exceeded appropriations by approximately \$1.3 million.

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

**Capital Assets.** The County's investment in capital assets for its governmental activities as of September 30, 2014, amounted to \$19,110,950 (net of accumulated depreciation) as compared to \$19,182,943 at September 30, 2013. This investment in capital assets includes land, buildings and improvements, structures, equipment, vehicles, machinery, and other tangible and intangible assets.

For further information regarding capital assets, see Note 3 to the financial statements.

**Long-term Debt.** At September 30, 2014, the County had total long-term debt outstanding of \$43,314,902. Total long-term debt outstanding at September 30, 2013, was \$42,495,354.

During fiscal year 2014, Moody's Investors Service downgraded the County's rating on general obligation bonds to Baa1 from A3. Refer to Note 3 for further information on the County's long-term debt.

### **ECONOMIC FACTORS**

As of September 30, 2014, the County's Debt Service Fund had a total unassigned fund balance deficit of \$5,000,494. This deficit was the result of a \$5,000,000 short-term Tax Note, Series 2014 that was dated June 15, 2014 and issued on June 26, 2014. The note was secured by a pledge of an ad valorem tax levied. The note was issued at an interest rate of 4.00% with a maturity date of February 1, 2015. The note was issued by the County to fund a projected cash flow deficit. Accordingly, the proceeds were transferred to the General Fund.

In order to provide the funds required to pay off the note, the County increased its debt property tax rate from \$0.046031/\$100 in 2013-2014 to \$.171278/\$100 in 2014-2015. In January of 2015, the tax note was paid in full, including \$109,444 in interest.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor's Office, P. O. Box 248, New Boston, Texas 75570.



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# **BASIC FINANCIAL STATEMENTS**

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

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 30,105,432
Receivables, net of allowance for uncollectibles:	
Accounts	16,613
Adjudicated fines	650,608
Property taxes	1,071,468
Sales taxes	965,225
Intergovernmental	9,163,391
Accrued interest	877
Prepaid expenses	173,883
Investment in joint venture	297,465
Infrastructure held for donation	10,972,129
Capital assets:	
Land	484,044
Buildings	20,302,056
Machinery and equipment	9,005,868
Infrastructure	36,191,231
Less: accumulated depreciation	( 46,872,249)
Total capital assets	<u>19,110,950</u>
Total assets	<u>72,528,041</u>
<b>LIABILITIES</b>	
Accounts payable	1,283,617
Accrued liabilities	243,862
Due to other governments	10,703
Tax notes payable	5,000,000
Accrued interest	271,471
Noncurrent liabilities:	
Due within one year	680,035
Due in more than one year	<u>42,634,867</u>
Total liabilities	<u>50,124,555</u>
<b>NET POSITION</b>	
Net investment in capital assets	18,675,950
Restricted for:	
Road improvements	10,299,281
Inmate benefit	365,368
Law library	67,669
District Attorney	191,294
Public safety	253,290
Records management and preservation	464,565
Court security	337,383
Justice court technology	93,494
Voting and election services	22,741
Health and welfare	25,861
Foster care	155,013
Unrestricted	( 8,548,423)
Total net position	<u>\$ 22,403,486</u>

**The accompanying notes are an integral part of these financial statements.**

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 8,391,923	\$ 2,216,634	\$ 21,779	\$( 6,153,510)
Public safety	15,557,856	1,502,379	395,508	( 13,659,969)
Public works	3,907,019	768,138	6,728,661	3,589,780
Health and welfare	1,231,107	-	164,872	( 1,066,235)
Interest on long-term debt	1,356,681	-	-	( 1,356,681)
Total governmental activities	<u>30,444,586</u>	<u>4,487,151</u>	<u>7,310,820</u>	( 18,646,615)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				13,604,521
Property taxes, levied for debt service				1,930,322
Sales				5,902,942
Other				215,032
Investment earnings				110,764
Miscellaneous				695,834
Total general revenues				<u>22,459,415</u>
Change in net position				3,812,800
Net position, beginning				18,861,547
Prior period adjustment				78,756
Change in accounting principle				( 349,617)
Net position, beginning, as restated				<u>18,590,686</u>
Net position, ending				<u>\$ 22,403,486</u>

The accompanying notes are an integral part of these financial statements.

**BOWIE COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 3,924,700	\$ 25,208,326	\$ -	\$ 972,406	\$ 30,105,432
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes	812,598	-	258,870	-	1,071,468
Sales taxes	965,225	-	-	-	965,225
Interest	-	877	-	-	877
Accounts	16,613	-	-	-	16,613
Adjudicated fines	650,608	-	-	-	650,608
Due from other funds	19,956	113,014	44,194	-	177,164
Due from other governments	9,143,435	-	-	19,956	9,163,391
Prepaid items	2,012	-	-	-	2,012
Total assets	<u>\$ 15,535,147</u>	<u>\$ 25,322,217</u>	<u>\$ 303,064</u>	<u>\$ 992,362</u>	<u>\$ 42,152,790</u>
<b>LIABILITIES</b>					
Accounts payable	891,298	379,371	-	12,948	1,283,617
Accrued liabilities	243,862	-	-	-	243,862
Accrued interest payable	-	-	65,059	-	65,059
Due to other funds	157,208	-	-	19,956	177,164
Tax note payable	-	-	5,000,000	-	5,000,000
Due to other governments	10,703	-	-	-	10,703
Total liabilities	<u>1,303,071</u>	<u>379,371</u>	<u>5,065,059</u>	<u>32,904</u>	<u>6,780,405</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	10,365,927	-	238,499	-	10,604,426
Total deferred inflows of resources	<u>10,365,927</u>	<u>-</u>	<u>238,499</u>	<u>-</u>	<u>10,604,426</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	2,012	-	-	-	2,012
Restricted:					
Road improvements	-	24,942,846	-	371,408	25,314,254
District Attorney	191,294	-	-	-	191,294
Public safety	253,290	-	-	-	253,290
Records management and preservation	464,565	-	-	-	464,565
Court security	337,383	-	-	-	337,383
Justice court technology	93,494	-	-	-	93,494
Voting and election services	22,741	-	-	-	22,741
Health and welfare	25,861	-	-	-	25,861
Inmate benefit	-	-	-	365,368	365,368
Law library	-	-	-	67,669	67,669
Foster care	-	-	-	155,013	155,013
Unassigned	2,475,509	-	( 5,000,494)	-	( 2,524,985)
Total fund balances	<u>3,866,149</u>	<u>24,942,846</u>	<u>( 5,000,494)</u>	<u>959,458</u>	<u>24,767,959</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,535,147</u>	<u>\$ 25,322,217</u>	<u>\$ 303,064</u>	<u>\$ 992,362</u>	<u>\$ 42,152,790</u>

The accompanying notes are an integral part of these financial statements.

# **BOWIE COUNTY, TEXAS**

## **RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 24,767,959
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,110,950
The investment in joint venture is not an available resource and, therefore, is not reported in the funds.	297,465
Infrastructure held for donation is not an available resource and, therefore, is not reported in the funds.	10,972,129
Bond insurance premiums are reported in the governmental funds as an expenditure and the costs (net of amortization) are reported as an asset in the statement of net position.	171,871
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.	10,604,426
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	( 43,521,314)
Net position of governmental activities	\$ <u>22,403,486</u>

**The accompanying notes are an integral part of these financial statements.**



# BOWIE COUNTY, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 19,918,834	\$ -	\$ 1,930,322	\$ 46,042	\$ 21,895,198
Charges for services	4,444,467	-	-	128,458	4,572,925
Intergovernmental	352,650	-	-	254,256	606,906
Investment earnings	3,950	96,430	-	-	100,380
Miscellaneous	695,834	-	-	-	695,834
Total revenues	<u>25,415,735</u>	<u>96,430</u>	<u>1,930,322</u>	<u>428,756</u>	<u>27,871,243</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,640,625	-	-	-	7,640,625
Public safety	14,469,781	-	-	448,371	14,918,152
Public works	2,902,750	8,176,488	-	-	11,079,238
Health and welfare	1,052,878	-	-	-	1,052,878
Capital outlay	1,681,568	-	-	-	1,681,568
Debt service:					
Principal	-	-	620,000	-	620,000
Interest and other charges	-	-	1,310,816	-	1,310,816
Issuance costs	-	-	66,950	-	66,950
Total expenditures	<u>27,747,602</u>	<u>8,176,488</u>	<u>1,997,766</u>	<u>448,371</u>	<u>38,370,227</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,331,867)</u>	<u>( 8,080,058)</u>	<u>( 67,444)</u>	<u>( 19,615)</u>	<u>( 10,498,984)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	4,998,487	-	-	-	4,998,487
Transfers out	-	-	( 4,933,050)	( 65,437)	( 4,998,487)
Sale of capital assets	646,123	-	-	-	646,123
Total other financing sources (uses)	<u>5,644,610</u>	<u>-</u>	<u>( 4,933,050)</u>	<u>( 65,437)</u>	<u>646,123</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,312,743	( 8,080,058)	( 5,000,494)	( 85,052)	( 9,852,861)
<b>FUND BALANCES, BEGINNING</b>	474,650	33,022,904	-	1,044,510	34,542,064
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>78,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,756</u>
<b>FUND BALANCES, BEGINNING, RESTATED</b>	<u>553,406</u>	<u>33,022,904</u>	<u>-</u>	<u>1,044,510</u>	<u>34,620,820</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 3,866,149</u>	<u>\$ 24,942,846</u>	<u>\$ ( 5,000,494)</u>	<u>\$ 959,458</u>	<u>\$ 24,767,959</u>

The accompanying notes are an integral part of these financial statements.

## BOWIE COUNTY, TEXAS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds: \$( 9,852,861)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 554,621

Governmental funds report infrastructure held for donation as expenditures. However, in the statement of activities the cost of those assets is capitalized until the asset is completed and donated. 8,175,505

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,375,759

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 638,656

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position. ( 626,614)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. ( 1,452,266)

Change in net position of governmental activities \$ 3,812,800

The accompanying notes are an integral part of these financial statements.

**BOWIE COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2014**

<b>ASSETS</b>	
Cash and investments	\$ <u>4,824,469</u>
Total assets	\$ <u>4,824,469</u>
<b>LIABILITIES</b>	
Due to others	\$ <u>4,824,469</u>
Total liabilities	\$ <u>4,824,469</u>

The accompanying notes are an integral part of these financial statements.

# **BOWIE COUNTY, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

Bowie County, Texas (the "County") was formed in 1841 and operates using a commission form of government under the laws and statutes of the Constitution of the State of Texas. The County provides various services to advance the welfare, health, comfort, safety and convenience of the County and its inhabitants.

The accounting and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present Bowie County, Texas (the primary government) and its component units. There are no component units which meet the criteria for inclusion in the County's reporting entity.

#### **Related Organizations**

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of the following organizations: Bowie County Child Protective Services, Northeast Texas Mental Health Mental Retardation Center, Red River Redevelopment Authority and Ark-Tex Council of Governments.

#### **Joint Ventures**

***Bi-State Justice Center*** – the County is a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Arkansas and the City of Texarkana, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of Bowie County, Texas; the City of Texarkana, Texas; and the City of Texarkana, Arkansas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven-member committee is comprised of the Bowie County Judge, one Bowie County Commissioner, two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of 911 calls received by the Building Information Center and the number of prisoners in the detention facility for each entity.

Bowie County, Texas' net investment, which consists of net position in the Bi-State Justice Center, is reported in the County's government-wide financial statements. The County's equity interest at September 30, 2014, was \$297,465 based on the Bi-state Justice Center's audited financial statements at December 31, 2013, (the latest available). Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

**General Fund** – This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenue and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the County for which a separate fund has not been established.

**The Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure.

**The Debt Service Fund** is used to account for the accumulation of resources for and the payment of debt principal and interest.

Additionally, the County reports the following fund type:

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Fiduciary Fund Types:**

These funds account for assets held by the County as a trustee or agent for individuals, private organizations, and other units of government. These funds are as follows:

**Agency Funds** account for resources held for others in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities and Net Position or Equity**

**Deposits and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, government securities, mutual funds, repurchase agreements, and the Texas Local Government Investment Pool.

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the County are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." There were no "advances to/from other funds" at September 30, 2014.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 20% of the current year tax levy. Trade collectibility is defined by the following schedule:

0 – 30 days .....	85% Probability of Collection
31 – 60 days .....	65% Probability of Collection
61 – 90 days .....	45% Probability of Collection
91 – 120 days .....	25% Probability of Collection
121 – 180 days .....	10% Probability of Collection
181 + days .....	1% Probability of Collection

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (streets and drainage)	35-50

### Deferred Inflows/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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County currently has no items that qualify for this classification.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County reports the following balances in unavailable revenues at September 30, 2014:

	General	Debt Service	Total
Property taxes	\$ 718,173	\$ 238,499	\$ 956,672
Court fines and fees	650,608	-	650,608
Grants	8,997,146	-	8,997,146
	<u>\$ 10,365,927</u>	<u>\$ 238,499</u>	<u>\$ 10,604,426</u>

### Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide financial statements.

### Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and



discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes any negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes 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.

### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **New Accounting Principles**

Significant new accounting standards not yet implemented by the County include the following:

Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" will be effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. This statement also provides guidance on how to determine the gain or loss on a disposal of government operations.

### **Change in Accounting Principles**

As the result of implementing GASB Statement No. 65, the County has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by \$349,617 for the governmental activities. This decrease results from no longer deferring and amortizing bond issuance costs.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$554,621 difference are as follows:

Capital outlay	\$ 1,894,107
Depreciation expense	( 1,339,486)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>554,621</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$6,375,759 difference are as follows:

Property taxes	\$( 242,381)
Court fines	( 85,774)
Grant receivable	<u>6,703,914</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>6,375,759</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Neither transaction, however, has any effect on net position.” The details of this \$638,656 difference are as follows:

Payment of principal on long-term debt	\$ 620,000
Amortization of premium on bonds	25,531
Amortization of prepaid bond insurance premium	( <u>6,875</u> )
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>638,656</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$1,452,266) difference are as follows:

Change in compensated absences	\$ 20,164
Accrued interest	2,429
Change in investment in joint venture	10,384
Change in net OPEB obligation	( 1,485,243)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$( 1,452,266)</u>

### 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

As of September 30, 2014, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 14,302	51
TexSTAR	<u>26,285</u>	52
Total portfolio	<u>\$ 40,587</u>	

The County's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 90 days.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, the County's deposit balance was fully collateralized with securities held by the pledging financial institution or was covered by FDIC insurance.

*Credit Risk.* It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. Both of the County's investment pools were rated AAAM by Standard & Poor's Investors Service.

## Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Ad valorem taxes	\$ 1,048,470	\$ -	\$ 294,357	\$ -	\$ 1,342,827
Sales tax	965,225	-	-	-	965,225
Adjudicated fines	13,012,163	-	-	-	13,012,163
Accounts	16,613	-	-	-	16,613
Interest	-	877	-	-	877
Intergovernmental	<u>9,143,435</u>	<u>-</u>	<u>-</u>	<u>19,956</u>	<u>9,163,391</u>
Gross receivables	24,185,906	877	294,357	19,956	24,501,096
Less: allowance for uncollectibles	<u>12,597,427</u>	<u>-</u>	<u>35,487</u>	<u>-</u>	<u>12,632,914</u>
Net total receivables	<u>\$ 11,588,479</u>	<u>\$ 877</u>	<u>\$ 258,870</u>	<u>\$ 19,956</u>	<u>\$ 11,868,182</u>

## Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2014, is as follows:

### **Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 19,956
Capital Projects	General	113,014
Debt Service	General	<u>44,194</u>
		<u>\$ 177,164</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

### **Interfund Transfers:**

<u>Transfers out</u>	<u>Transfers in</u>	
Debt Service	General	\$ 4,933,050
Nonmajor governmental	General	<u>65,437</u>
		<u>\$ 4,998,487</u>

Transfers were used to (1) move restricted resources in nonmajor governmental funds to offset allowable expenditures in the General Fund and (2) transfer the proceeds from short-term obligations from the Debt Service Fund to the General Fund.

### **Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 484,044	\$ -	\$ -	\$ 484,044
Total capital assets not being depreciated	<u>484,044</u>	<u>-</u>	<u>-</u>	<u>484,044</u>
Capital assets, being depreciated:				
Buildings and improvements	20,302,056	-	-	20,302,056
Machinery and equipment	7,950,910	1,894,107	( 839,149)	9,005,868
Infrastructure	<u>36,191,231</u>	<u>-</u>	<u>-</u>	<u>36,191,231</u>
Total capital assets being depreciated	<u>64,444,197</u>	<u>1,894,107</u>	<u>( 839,149)</u>	<u>65,499,155</u>
Less accumulated depreciation:				
Buildings and improvements	9,115,918	394,193	-	9,510,111
Machinery and equipment	2,686,333	614,046	( 212,535)	3,087,844
Infrastructure	<u>33,943,047</u>	<u>331,247</u>	<u>-</u>	<u>34,274,294</u>
Total accumulated depreciation	<u>45,745,298</u>	<u>1,339,486</u>	<u>( 212,535)</u>	<u>46,872,249</u>
Total capital assets, being depreciated, net	<u>18,698,899</u>	<u>554,621</u>	<u>( 626,614)</u>	<u>18,626,906</u>
Governmental activities capital assets, net	<u>\$ 19,182,943</u>	<u>\$ 554,621</u>	<u>\$ ( 626,614)</u>	<u>\$ 19,110,950</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	\$ 183,588
Public safety	343,560
Public works	<u>812,338</u>
Total depreciation expense - governmental activities	<u>\$ 1,339,486</u>

### **Short-term Debt**

On June 15, 2014, the County issued Tax Note, Series 2014 in the amount of \$5,000,000. The note was issued with an interest rate of 4.00% with a maturity date of February 1, 2015. The note was issued by the County to fund a projected cash flow deficit. The following schedule summarizes the County's short term debt obligations during the year ended September 30, 2014:

	<u>Original Issue Year</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issues</u>	<u>Redemptions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>						
Tax Note, Series 2014	2014	4.00%	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
Governmental activities short-term liabilities			\$ -	\$ 5,000,000	\$ -	\$ 5,000,000

### Long-term Debt

During the fiscal year ending September 30, 2005, the County issued Combination Tax and Revenue Certificates of Obligation, Series 2005B in the amount of \$2,750,000. These bonds were issued to fund improvements to County roads and bridges.

On September 15, 2012, the County issued Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012 in the amount of \$34,910,000. These bond proceeds are being used for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82 between FM 1840 and State Highway 98.

A summary of the outstanding bonds as of September 30, 2014 is as follows:

<u>Bond Issue</u>	<u>Interest Rates</u>	<u>Amount</u>
Tax and Revenue Certificates of Obligation, Series 2005B	3.47 - 5.25%	\$ 435,000
Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012	2.0 - 4.0%	<u>34,365,000</u>
		<u>\$ 34,800,000</u>

Annual debt service requirements to maturity for the certificates of obligation and the revenue and unlimited tax bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 640,000	\$ 1,226,922
2016	1,375,000	1,215,275
2017	1,425,000	1,174,025
2018	1,490,000	1,117,025
2019	1,555,000	1,057,425
2020-2024	8,910,000	4,294,525
2025-2029	10,885,000	2,547,400
2030-2034	5,670,000	1,015,869
2035-2037	<u>2,850,000</u>	<u>215,994</u>
Totals	<u>\$ 34,800,000</u>	<u>\$ 13,864,460</u>

## Compensated Absences

County employees earn annual leave up to a maximum of 15 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. Employees who have been employed for six or more months are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Unused sick leave is not paid upon termination of employment.

At September 30, 2014, the County had accrued compensated absences in the amount of \$160,139.

## Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Certificates of obligation	\$ 855,000	\$ -	\$( 420,000)	\$ 435,000	\$ 435,000
Revenue and unlimited tax bonds	34,565,000	-	( 200,000)	34,365,000	205,000
Premium on bonds	612,754	-	( 25,531)	587,223	-
Compensated absences	180,303	122,166	( 142,330)	160,139	40,035
Net OPEB obligation	<u>6,282,297</u>	<u>1,847,553</u>	<u>( 362,310)</u>	<u>7,767,540</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 42,495,354</u>	<u>\$ 1,969,719</u>	<u>\$(1,150,171)</u>	<u>\$ 43,314,902</u>	<u>\$ 680,035</u>

Compensated absences and the OPEB liability are generally liquidated by the General Fund.

## Other Information

### Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

### Commitments and Contingencies

On February 11, 2013, the County entered into a contract with LaSalle Corrections, LLC (the "contractor") for the operation and management of the bi-state jail and detention center. The agreement allows for cancellation only upon material breach. Otherwise, the agreement is for three consecutive years with three one-year options for renewal. Under the agreement, the County is responsible for payment to the contractor a per diem rate of \$39.25 per day/per inmate at the Bi-State Justice Center and \$46.50 per day/per inmate at the Bowie County Correctional Center. The per diem increased by 3% on February 13, 2014, and will increase 3% annually thereafter. The



contractor is responsible for providing basic medical and emergency health services, optical, dental care and all food, beverage, commissary, and related support services. The contractor is responsible for providing monthly financial information to the County as support for payment requested or remitted.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal 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 at September 30, 2014, 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 financial statements for such contingencies.

### **Pension Plan**

#### **Defined Benefit Plan – Texas County and District Retirement System (TCDRS)**

##### **Plan Description**

The County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension 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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS board of trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 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 10 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 their employer. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

## Funding Policy

The employer has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.60% for the months of the accounting year in 2014, and 9.75% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar year 2014 is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the employer's accounting year ended September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$1,244,833 and the actual contributions were \$1,244,833.

## Annual Pension Cost

The required contribution was determined as part of the December 31, 2012, and December 31, 2013 actuarial valuations 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 administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. 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 payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

The following table presents actuarial assumptions and information used in the three most recent actuarial valuations:

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: fund value	SAF: 10-yr smoothed value ESF: fund value	SAF: 5-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

**Annual Pension Cost and Percentage of  
APC Contributed for the Last Three Fiscal Years**

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2012	\$ 945,179	100%	\$ -
9/30/2013	\$ 1,139,237	100%	-
9/30/2014	\$ 1,244,833	100%	-

**Schedule of Funding Information as of the Most Recent Valuation**

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2013	\$ 36,181,922	\$ 42,194,991	\$ 6,013,069	86%	\$ 11,870,963	51%

**Other Postemployment Benefits**

The County provides certain health care benefits through a single-employer defined benefit OPEB plan for all full time employees that meet eligibility requirements. Eligible individuals include retired employees who have satisfied the requirements as defined by the Texas County & District Retirement System and their spouse and dependents that were covered prior to retirement. Members can retire at ages 60 and above with 10 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.

Retirees are eligible for medical and prescription insurance at no cost to the retiree until they reach Medicare eligibility. An employee's spouse and dependents may also participate in the plan at the cost of the retiree. Upon reaching Medicare eligibility, the retiree will no longer receive medical insurance at no cost. At this time the retiree will be responsible for full cost of the coverage.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the current year and the related information is as follows:

Annual Required Contribution (ARC)	\$ 1,989,327
Interest on Net OPEB Obligation	251,292
Adjustment to the ARC	( 393,066)
Annual Cost	1,847,553
Contributions Made	( 362,310)
Increase (Decrease) in Net OPEB Obligation	1,485,243
Net OPEB Obligation, beginning of year	<u>6,282,297</u>
Net OPEB Obligation, ending of year	<u>\$ 7,767,540</u>

The County's annual OPEB cost, contributions made, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years is listed below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employers Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$ 1,375,859	\$ 195,410	14%	\$ 4,691,490
9/30/2013	\$ 1,883,453	\$ 292,646	16%	\$ 6,282,297
9/30/2014	\$ 1,847,553	\$ 362,310	20%	\$ 7,767,540

### Funding Status

As of October 1, 2012, the actuarial accrued liability for benefits was \$14,028,552, all of which was unfunded. The amortization of the unfunded actuarial accrued liability is calculated assuming 30 level annual payments. GASB 45 allows for these payments to be calculated as a level percent of payroll. If this were done, the current year annual required contribution would be lower, but the contribution would be higher in future years as payroll increases.

### Schedule of Funding Progress as of Most Recent Valuation

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Discount Rate</u>	<u>Actuarial Accrued Liabilities<sup>(1)</sup></u>	<u>Unfunded Actuarial Accrued Liabilities<sup>(2)</sup></u>	<u>Funded Ratio (a/b)</u>
10/1/2012	\$ -	4.00%	\$ 14,028,552	\$ 14,028,552	\$ -

- 1) Actuarial accrued liability determined under the projected unit credit cost method.
- 2) Actuarial accrued liability less actuarial value of assets.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

## **Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 6.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after a number of years. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

## **Pass-through Toll Agreement**

The County has entered into an agreement with the Texas Department of Transportation (TXDOT) for the development and construction of a project on U.S. Highway 82. The total estimated cost of the project is \$31,921,000. TXDOT will reimburse the County for its proportional share of the actual allowable costs incurred under the project, estimated to be \$26,200,000. The maximum amount to be reimbursed to the County by TXDOT is \$28,820,000. TXDOT is not obligated to begin making payments under the agreement until the project is substantially complete and open to the public. Under the agreement, when the project is complete, TXDOT will reimburse the County an annual amount equal to \$.07 for each vehicle mile traveled on the project during the previous year. Each annual reimbursement will be not less than \$1,310,000 nor more than \$2,620,000. The first annual payment will be made 60 days after the first anniversary of the project's completion. Subsequent annual payments will be made within 60 days after each succeeding anniversary. As of September 30, 2014, a receivable of \$8,997,146 has been accrued for reimbursable expenditures incurred by the County.

## **Prior Period Adjustment**

In prior years, the activities of the Food Service fund were reported as an agency fund. During the current year, the County has reclassified these activities as a component of the General Fund. The result was an increase of beginning fund balance in the General Fund and beginning net position of governmental activities in the amount of \$78,756.

#### **4. SUBSEQUENT EVENT**

As of September 30, 2014, the County's Debt Service Fund had a total unassigned fund balance deficit of \$5,000,494. This deficit was the result of a \$5,000,000 short-term Tax Note, Series 2014 that was dated June 15, 2014 and issued on June 26, 2014. The note was secured by a pledge of an ad valorem tax levied. The note was issued at an interest rate of 4.00% with a maturity date of February 1, 2015. The note was issued by the County to fund a projected cash flow deficit. Accordingly, the proceeds were transferred to the General Fund.

In order to provide the funds required to pay off the note, the County increased its debt property tax rate from \$0.046031/\$100 in 2013-2014 to \$.171278/\$100 in 2014-2015. In January of 2015, the tax note was paid in full, including \$109,444 in interest.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**



# BOWIE COUNTY, TEXAS

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

### GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$ 14,345,412	\$ 13,797,235	\$ 13,846,902	\$ 49,667
Sales	5,450,000	5,450,000	5,902,942	452,942
Other	144,300	144,300	168,990	24,690
Total taxes	<u>19,939,712</u>	<u>19,391,535</u>	<u>19,918,834</u>	<u>527,299</u>
Intergovernmental	<u>141,750</u>	<u>142,124</u>	<u>352,090</u>	<u>209,966</u>
Total intergovernmental	<u>141,750</u>	<u>142,124</u>	<u>352,090</u>	<u>209,966</u>
Charges for services:				
General government	2,211,000	2,211,000	1,977,386	( 233,614)
Public safety	1,806,600	1,806,600	1,296,300	( 510,300)
Public works	862,000	862,000	853,912	( 8,088)
Total charges for services	<u>4,879,600</u>	<u>4,879,600</u>	<u>4,127,598</u>	<u>( 752,002)</u>
Investment earnings	<u>36,100</u>	<u>36,100</u>	<u>3,950</u>	<u>( 32,150)</u>
Miscellaneous	<u>619,000</u>	<u>619,000</u>	<u>695,821</u>	<u>76,821</u>
Total revenues	\$ <u>25,616,162</u>	\$ <u>25,068,359</u>	25,098,293	\$ <u>29,934</u>
Revenues in sub-funds of the General Fund that are not budgeted			<u>317,442</u>	
Total revenues in the Statement of Revenues, Expenditures and				
Changes in Fund Balance			<u>\$ 25,415,735</u>	
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ -	\$ 5,000,000	\$ 4,998,487	\$ ( 1,513)
Sale of capital assets	<u>1,593,000</u>	<u>300,000</u>	<u>646,123</u>	<u>346,123</u>
Total other financing sources	<u>\$ 1,593,000</u>	<u>\$ 5,300,000</u>	<u>\$ 5,644,610</u>	<u>\$ 344,610</u>

# BOWIE COUNTY, TEXAS

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

### GENERAL FUND

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
<b>EXPENDITURES</b>				
General government:				
Personnel services	\$ 2,333,498	\$ 2,213,282	\$ 2,277,068	\$ ( 63,786)
Supplies and materials	213,840	199,724	230,583	( 30,859)
Contractual services	4,605,971	4,737,653	4,785,081	( 47,428)
Miscellaneous	30,875	30,914	65,923	( 35,009)
Total general government	<u>7,184,184</u>	<u>7,181,573</u>	<u>7,358,655</u>	<u>( 177,082)</u>
Public safety:				
Personnel services	8,079,972	7,996,607	7,979,214	17,393
Supplies and materials	367,555	298,697	251,825	46,872
Contractual services	5,667,055	5,552,255	6,098,223	( 545,968)
Miscellaneous	67,158	46,236	37,779	8,457
Total public safety	<u>14,181,740</u>	<u>13,893,795</u>	<u>14,367,041</u>	<u>( 473,246)</u>
Public works:				
Personnel services	2,059,209	2,041,769	1,891,119	150,650
Supplies and materials	798,229	803,289	666,264	137,025
Contractual services	447,144	352,965	262,011	90,954
Miscellaneous	82,208	86,688	83,356	3,332
Total public works	<u>3,386,790</u>	<u>3,284,711</u>	<u>2,902,750</u>	<u>381,961</u>
Health and welfare:				
Indigent medical	<u>1,129,633</u>	<u>973,787</u>	<u>1,052,878</u>	<u>( 79,091)</u>
Total health and welfare	<u>1,129,633</u>	<u>973,787</u>	<u>1,052,878</u>	<u>( 79,091)</u>
Capital outlay:				
General government	209,100	54,735	46,103	8,632
Public safety	98,600	39,430	23,461	15,969
Public works	<u>690,000</u>	<u>637,590</u>	<u>1,612,004</u>	<u>( 974,414)</u>
Total capital outlay	<u>997,700</u>	<u>731,755</u>	<u>1,681,568</u>	<u>( 949,813)</u>
Total expenditures	<u>\$ 26,880,047</u>	<u>\$ 26,065,621</u>	<u>\$ 27,362,892</u>	<u>\$ ( 1,297,271)</u>
Expenditures in sub-funds of the General Fund that are not budgeted			<u>384,710</u>	
Total expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 27,747,602</u>	
Net change in fund balance (budgeted subfunds only)	<u>\$ 329,115</u>	<u>\$ 4,302,738</u>	<u>\$ 3,380,011</u>	<u>\$ ( 922,727)</u>

The accompanying notes are an integral part of this schedule.

# **BOWIE COUNTY, TEXAS**

## **SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2011	\$ 33,724,134	\$ 38,411,460	88%	\$ 4,687,326	\$ 11,310,104	41%
12/31/2012	\$ 34,455,337	\$ 40,178,137	86%	\$ 5,722,800	\$ 11,557,442	50%
12/31/2013	\$ 36,181,922	\$ 42,194,991	86%	\$ 6,013,069	\$ 11,870,963	51%

# **BOWIE COUNTY, TEXAS**

## **SCHEDULE OF FUNDING PROGRESS POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>
10/1/2008	\$ -	\$ 9,302,499	0%	\$ 9,302,499
10/1/2010	\$ -	\$ 10,454,409	0%	10,454,409
10/1/2012	\$ -	\$ 14,028,552	0%	14,028,552

## **BOWIE COUNTY, TEXAS**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2014**

#### **Budgetary Information**

The Commissioners' Court follows the general provisions outlined below in establishing the budgetary data reflected in the accompanying budgetary schedule.

1. The County Judge, serving as the budget officer, submits to the Commissioners' Court a proposed budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them for governmental fund types.
2. Public hearings are conducted, at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Commissioners' Court, usually by the end of September.
4. The budget, as compared to actual, is reviewed on a monthly basis, and periodically, budget amendments are made.
5. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Commissioners' Court.
6. Appropriations lapse at year-end. Since the County intends to honor all commitments, subsequent year's appropriations provide authority to complete any transactions not completed in any year.
7. The estimated revenues and appropriations presented in the accompanying budgetary schedule are those of the County's General Fund. This includes several sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances. Certain other sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances are not budgeted, and are therefore excluded from this schedule. A reconciliation is provided to reconcile the budgetary schedule with the Statement of Revenues, Expenditures and Changes in Fund Balances.

8. For the year ended September 30, 2014, the following expenditures exceeded appropriations at the legal level of budgetary control:

General Government	\$177,082
Public Safety	473,246
Welfare	79,091
Capital Outlay	949,813

Total expenditures exceeded overall appropriations in the General Fund by \$1,297,271.

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# **COMBINING FUND STATEMENTS**



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## **NONMAJOR SPECIAL REVENUE FUNDS**

*Special Revenue Funds* are used to account for restricted revenue sources which by law or contract are designated to finance particular functions or activities of the County and which, therefore, cannot be diverted to other uses.

**Inmate Benefit** – This fund is used to account for the County's share of commissary proceeds which may be used to develop a program addressing the social needs of the County prisoners; supply prisoners with certain supplies; establish, staff and equip the commissary operations; or fund, staff and equip a library for the educational use of County prisoners.

**Road and Bridge Lateral** – This fund is used to account for receipts of state gasoline taxes allocated by the State of Texas. The monies are transferred to the General Fund as costs are accumulated for the maintenance of certain County roads.

**Law Library** – This fund is used to account for the cost of maintaining the County's law library for public use. Financing is provided through fees charged as a part of court costs for cases processed through the Justice and District Courts.

**Texas VINE** – This fund is used to account for grant monies received from the State of Texas Office of the Attorney General.

**Title IV-E** – This fund is used to account for grant monies received associated with administering Title IV-E child support payments.

**Specialized DV Caseload Grant** – This fund is used to account for grant monies received associated with the Specialized DV Caseload Grant.

**Drug Court Grant** – This fund is used to account for grant monies received associated with the Edward Byrne Memorial Justice Assistance Grant.

**BOWIE COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	Special Revenue			
	Inmate Benefit	Road and Bridge Lateral	Law Library	Texas VINE
<b>ASSETS</b>				
Cash and investments	\$ 365,504	\$ 371,408	\$ 80,481	\$ -
Due from other governments	-	-	-	-
Total assets	<u>365,504</u>	<u>371,408</u>	<u>80,481</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	136	-	12,812	-
Due to other funds	-	-	-	-
Total liabilities	<u>136</u>	<u>-</u>	<u>12,812</u>	<u>-</u>
Fund balances:				
Restricted:				
Road improvements	-	371,408	-	-
Law library	-	-	67,669	-
Inmate benefit	365,368	-	-	-
Foster care	-	-	-	-
Total fund balances	<u>365,368</u>	<u>371,408</u>	<u>67,669</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 365,504</u>	<u>\$ 371,408</u>	<u>\$ 80,481</u>	<u>\$ -</u>

Special Revenue			
Title IV-E	Specialized DV Caseload Grant	Drug Court Grant	Total Governmental Funds
\$ 155,013	\$ -	\$ -	\$ 972,406
-	3,667	16,289	19,956
155,013	3,667	16,289	992,362
-	-	-	12,948
-	3,667	16,289	19,956
-	3,667	16,289	32,904
-	-	-	371,408
-	-	-	67,669
-	-	-	365,368
155,013	-	-	155,013
155,013	-	-	959,458
\$ 155,013	\$ 3,667	\$ 16,289	\$ 992,362

# BOWIE COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue			
	Inmate Benefit	Road and Bridge Lateral	Law Library	Texas VINE
<b>REVENUES</b>				
Taxes	\$ -	\$ 46,042	\$ -	\$ -
Charges for services	105,611	-	22,847	-
Intergovernmental	-	-	-	16,500
Total revenues	<u>105,611</u>	<u>46,042</u>	<u>22,847</u>	<u>16,500</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>108,080</u>	<u>-</u>	<u>86,035</u>	<u>16,500</u>
Total expenditures	<u>108,080</u>	<u>-</u>	<u>86,035</u>	<u>16,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 2,469)	46,042	( 63,188)	-
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>( 65,437)</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>( 65,437)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 2,469)	( 19,395)	( 63,188)	-
<b>FUND BALANCES, BEGINNING</b>	<u>367,837</u>	<u>390,803</u>	<u>130,857</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 365,368</u>	<u>\$ 371,408</u>	<u>\$ 67,669</u>	<u>\$ -</u>

Special Revenue			
<u>Title IV-E</u>	<u>Specialized DV Caseload Grant</u>	<u>Drug Court Grant</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 46,042
-	-	-	128,458
-	3,667	234,089	254,256
-	3,667	234,089	428,756
-	3,667	234,089	448,371
-	3,667	234,089	448,371
-	-	-	( 19,615)
-	-	-	( 65,437)
-	-	-	( 65,437)
-	-	-	( 85,052)
155,013	-	-	1,044,510
\$ <u>155,013</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>959,458</u>

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## AGENCY FUNDS

**State of Texas** – This fund is used to account for the collection and payment of auto registration fees, sales taxes on automobiles, and court costs included in the collection of fines assessed by the courts for misdemeanors and felonies on behalf of the State of Texas.

**Levee and Drainage** – This fund is used to account for earnings on a time deposit of the Bowie County Levee and Drainage Fund and to periodically pay expenses authorized by the Levee and Drainage Board.

**District Attorney Evidence** – This fund is used to account for evidence money obtained by the County and held until disposition as directed by the Courts.

**Inmate Escrow** – This fund is used to account for monies of County inmates held in escrow on their behalf. The monies are disbursed to the jail commissary and other parties upon direction from the inmates.

**County Clerk Guardianship** – This fund is used to account for interest earnings and principal cash established by the Court for various minors within the Court's jurisdiction. Upon attainment of the age of majority, the funds are remitted to the individuals.

**District Clerk "Trust"** – These funds are used to account for monies of various individuals or firms held by the County in connection with litigation in progress in the District Courts. Although entitled "trust" fund, the County acts only in an agency capacity with respect to these funds.

**Other Agency** – This fund is used to account for various monies collected or deposited with the County associated with activities such as bail bonds of individuals, restitution and attorneys' fees awarded by the Courts, and miscellaneous fees collected by the County Sheriff for various other local governments. The monies are disbursed to the parties for whom the assets are held by order of the Courts.

**Tax Office** – This fund is used to account for funds held by the Tax Office as an agent for other taxing entities.

**Adult Probation** – This fund is used to account for monies held by the County as an agent for the Bowie County Community Supervision and Corrections Department.

**Juvenile Probation** – This fund is used to account for monies held by the County as an agent for the Bowie County Juvenile Probation Department.



**BOWIE COUNTY, TEXAS****AGENCY FUNDS****COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****SEPTEMBER 30, 2014**

	<u>Agency Funds</u>			
	<u>State of Texas</u>	<u>Levee and Drainage</u>	<u>District Attorney Evidence</u>	<u>Inmate Escrow</u>
<b>ASSETS</b>				
Cash and investments	\$ <u>176,427</u>	\$ <u>37,623</u>	\$ <u>124,439</u>	\$ <u>140,190</u>
Total assets	\$ <u>176,427</u>	\$ <u>37,623</u>	\$ <u>124,439</u>	\$ <u>140,190</u>
<b>LIABILITIES</b>				
Due to others	\$ <u>176,427</u>	\$ <u>37,623</u>	\$ <u>124,439</u>	\$ <u>140,190</u>
Total liabilities	\$ <u>176,427</u>	\$ <u>37,623</u>	\$ <u>124,439</u>	\$ <u>140,190</u>

Agency Funds

<u>County Clerk Guardianship</u>	<u>District Clerk "Trust"</u>	<u>Other Agency</u>	<u>Tax Office</u>	<u>Adult Probation</u>	<u>Juvenile Probation</u>	<u>Totals</u>
\$ <u>525,526</u>	\$ <u>1,507,465</u>	\$ <u>262,877</u>	\$ <u>359,171</u>	\$ <u>1,579,557</u>	\$ <u>111,194</u>	\$ <u>4,824,469</u>
\$ <u>525,526</u>	\$ <u>1,507,465</u>	\$ <u>262,877</u>	\$ <u>359,171</u>	\$ <u>1,579,557</u>	\$ <u>111,194</u>	\$ <u>4,824,469</u>
\$ <u>525,526</u>	\$ <u>1,507,465</u>	\$ <u>262,877</u>	\$ <u>359,171</u>	\$ <u>1,579,557</u>	\$ <u>111,194</u>	\$ <u>4,824,469</u>
\$ <u>525,526</u>	\$ <u>1,507,465</u>	\$ <u>262,877</u>	\$ <u>359,171</u>	\$ <u>1,579,557</u>	\$ <u>111,194</u>	\$ <u>4,824,469</u>

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