

Red River County, Texas
Financial Statements
And Independent Auditor's Report
For the year ended September 30, 2014

Red River County, Texas
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 Year ended September 30, 2014

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ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P. A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants
Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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 District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 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 the County's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

January 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Red River County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2014. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net position was \$14.4 million at September 30, 2014. \$10 million of the net position is invested in capital assets, net of related debt. During the year, the County's expenses were \$52 thousand more than the \$5.8 million generated in taxes, charges for services and other revenues from governmental activities. This includes depreciation expense of \$705 thousand.

The total cost of all the County's activities was about \$5.82 million, an increase of \$530 thousand. This was mainly because of increased expenses funded by grants. Intergovernmental revenue increased \$640 thousand.

The general fund balance is \$1.3 million at September 30, 2014, which is an increase of \$100 thousand. General fund revenue remained fairly stable compared to the prior year with an increase of \$42 thousand in property tax revenue and \$20 thousand in sales tax. Expenditures remained similar to the prior year in most departments. Expenditures increased 4% or \$117 thousand. Court appointed attorney fees increased \$38 thousand. Building repairs increased \$36 thousand. Payroll costs increases explain most of the rest of the increase. The increase to Main Road & Bridge was \$363 thousand which is \$264 thousand more than the prior year. This was mainly due to more of the costs being funded through grant revenue. Intergovernmental revenue increased \$227 thousand.

During the year, \$80 thousand of fixed assets were added. \$66 thousand of principal was paid on debt.

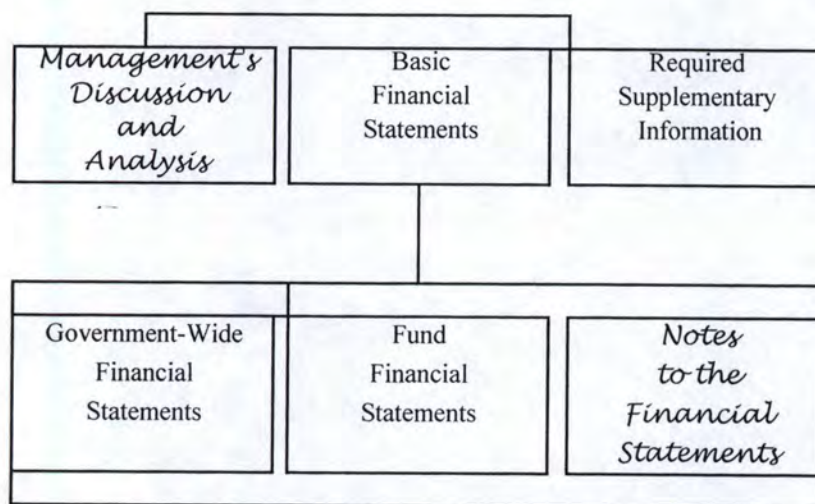
Approximately 94% of the taxes levied for 2013-14 were collected by September 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses, such as a commissary operation.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. This fund contains trust funds.

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



Summary ⇄ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioner's Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds*-Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities. The County has no internal service funds.
- *Fiduciary funds*-The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was approximately \$14.4 million at September 30, 2014.

Table A-1
The County's Net Position
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	5,656	5,057	127	97	5,783	5,154
Capital and non-current assets	10,261	10,853	976	1,009	11,237	11,862
TOTAL ASSETS	15,917	15,910	1,103	1,106	17,020	17,016
Long-term liabilities	204	270	-	-	204	270
Other liabilities	225	168	-	-	225	168
TOTAL LIABILITIES	429	438	-	-	429	438
Unavailable revenue-property taxes and fines, and fees	2,208	2,143	-	-	2,208	2,143
TOTAL DEFERRED INFLOWS OF RESOURCES	2,208	2,143	-	-	2,208	2,143
Invested in capital assets net of related debt	10,057	10,583	-	-	10,057	10,583
Restricted	1,716	1,320	-	-	1,716	1,320
Unrestricted	1,507	1,426	1,103	1,106	2,610	2,532
TOTAL NET POSITION	13,280	13,329	1,103	1,106	14,383	14,435

Net position invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$2.6 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$1.7 million is restricted as follows:

Restricted for debt service	-
Restricted for special revenue funds	<u>1,716</u>
	<u>1,716</u>

Net position of the County decreased \$52 thousand. The County recorded depreciation of \$705 thousand. \$80 thousand of fixed assets were added. \$66 thousand was paid on principal on debt. The County's revenues exceeded expenditures by \$495 thousand in the governmental funds. Revenues exceeded expenses by \$3 thousand in the proprietary fund.

Changes in net position.

The County's total revenues were \$5.8 million. 56% of this came from property taxes, 13% came from sales taxes and other taxes, 8% came from charges for services, and 19% came from operating grants and contributions.

The total cost of all programs was \$5.8 million. Approximately 28% of this was for public safety and 28% was for highways, streets and bridges.

Net position decreased by \$52 thousand because of the excess of expenses over revenues. Depreciation expense was \$705 thousand for the year.

Table A-2
The County's Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<u>Program Revenues</u>						
Charges for Services	485	629	30	59	515	688
Operating Grants and Contributions	1,115	475	-	-	1,115	475
<u>General Revenues</u>						
Property Taxes	3,258	3,226	-	-	3,258	3,226
Other taxes	730	711	-	-	730	711
Investment earnings	12	11	-	-	12	11
Other	144	60	-	-	144	60
Total Revenues	<u>5,744</u>	<u>5,112</u>	<u>30</u>	<u>59</u>	<u>5,774</u>	<u>5,171</u>
Expenses						
General Government	369	318	-	-	369	318
Judicial	418	371	-	-	418	371
Legal	124	112	-	-	124	112
Financial	411	390	-	-	411	390
Public Facility	190	133	-	-	190	133
Public Safety	1,591	1,672	33	33	1,624	1,705
Health and Welfare	260	274	-	-	260	274
Roads & Streets	1,637	1,442	-	-	1,637	1,442
Cultural and Recreational	90	98	-	-	90	98
Conservation	119	131	-	-	119	131
Intergovernmental	395	36	-	-	395	36
General-miscellaneous	182	272	-	-	182	272
Debt service	7	9	-	-	7	9
Total Expenses	<u>5,793</u>	<u>5,258</u>	<u>33</u>	<u>33</u>	<u>5,826</u>	<u>5,291</u>
Other Sources (Uses)						
Transfers in (out)	-	-	-	-	-	-
Increase (Decrease) in Net Position	(49)	(146)	(3)	26	(52)	(120)
Beginning Net Position	13,329	13,475	1,106	1,080	14,435	14,555
Ending Net Position	<u>13,280</u>	<u>13,329</u>	<u>1,103</u>	<u>1,106</u>	<u>14,383</u>	<u>14,435</u>

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

- The cost of all *governmental* activities this year was \$5.8 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$3.26 million.
- Some of the cost was paid by those who directly benefited from the programs (\$485 thousand), or by grants and contributions (\$1.1 million).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General Government	369	318	272	222
Public Safety	1,591	1,670	1,392	1,191
Highways, Streets and Bridges	1,636	1,442	1,183	1,417

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$3 million at September 30, 2014. This balance is composed of the following in thousands

General	1,311
Special Revenue	1,716
	<u>3,027</u>

Fund balance in the governmental funds increased \$495 thousand. The general fund balance increased \$100 thousand as compared to \$232 thousand the prior year. This is due to increased expenditures as referred to above. The Main Road & Bridge fund balance increased \$363 thousand as compared to \$99 thousand the prior year. Debt service expenditures were less than the prior year. Other special revenue funds increased about \$32 thousand mainly from an increase in the indigent health fund.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, **actual** expenditures were less than budgeted by \$469 thousand. Actual revenues were \$59 thousand more than budgeted. \$398 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$100 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Land	131	128	22	22
Roads	16,692	16,692	-	-
Buildings and improvements	5,478	5,478	1,642	1,642
Machinery and equipment	3,294	3,253	-	-
Totals at historical cost	<u>25,595</u>	<u>25,551</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(15,334)</u>	<u>(14,698)</u>	<u>(688)</u>	<u>(655)</u>
Net capital assets	<u><u>10,261</u></u>	<u><u>10,853</u></u>	<u><u>976</u></u>	<u><u>1,009</u></u>

\$77 thousand of new equipment was added in the current year.

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Notes payable	204	271	-	-
Vacation & comp. time payable	<u>89</u>	<u>72</u>	<u>-</u>	<u>-</u>
	<u><u>293</u></u>	<u><u>343</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

\$66 thousand was paid on principal this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In setting the FY 2015 budget, the governing body of Red River, after careful deliberation, approved continuing the same tax rate as the last three years. We continued to observe a 4-day, 33.5-hour work week, allowing county offices to close on Fridays, thus saving on utility costs and employee salaries.

The only significant increase in expenditures budgeted for FY 2015 was for Court Appointed Attorneys. No new programs or initiatives were added for 2015. A loan was obtained in the amount of \$94,864 for new standing seam roof on Red River County Annex.

We believe that the budget is reasonable, attainable, fiscally sound, and allows for services to be provided to the citizens of the County in a sound manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Red River 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 financial information should be directed to the County's Auditor's Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,132,067	\$ 127,045	\$ 3,259,112
Receivables (net of allowance for uncollectibles)	2,492,766	-	2,492,766
Prepaid Items	30,481	-	30,481
Capital Assets:			
Land	131,074	22,431	153,505
Infrastructure, net	5,675,450	-	5,675,450
Buildings, net	3,870,375	953,961	4,824,336
Machinery and Equipment, net	584,490	-	584,490
Total Assets	<u>15,916,703</u>	<u>1,103,437</u>	<u>17,020,140</u>
LIABILITIES			
Accounts Payable	107,788	-	107,788
Unearned Revenues	117,415	-	117,415
Noncurrent Liabilities			
Due Within One Year	204,414	-	204,414
Total Liabilities	<u>429,617</u>	<u>-</u>	<u>429,617</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue - Property Taxes	2,207,530	-	2,207,530
Total Deferred Inflows of Resources	<u>2,207,530</u>	<u>-</u>	<u>2,207,530</u>
NET POSITION			
Net Investment in Capital Assets	10,056,975	-	10,056,975
Restricted for Special Revenue Funds	1,715,640	-	1,715,640
Unrestricted Net Position	1,506,941	1,103,437	2,610,378
Total Net Position	<u>\$ 13,279,556</u>	<u>\$ 1,103,437</u>	<u>\$ 14,382,993</u>

The notes to the financial statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 369,049	\$ 96,563	\$ 368
Judicial	418,021	163,164	505
Legal	123,883	2,150	53,643
Financial	410,483	160,844	-
Public Facilities	190,017	-	-
Public Safety	1,591,092	31,206	167,578
Cultural & Recreational	89,626	-	-
Conservation	119,111	27,694	-
Intergovernmental	395,496	-	385,969
Miscellaneous	182,316	3,610	-
Health & Welfare	260,298	-	53,875
Roads & Streets	1,636,557	-	453,244
Interest	7,194	-	-
Total Governmental Activities:	5,793,143	485,231	1,115,182
BUSINESS-TYPE ACTIVITIES:			
	32,811	29,731	-
Total Business-Type Activities:	32,811	29,731	-
TOTAL PRIMARY GOVERNMENT:	\$ 5,825,954	\$ 514,962	\$ 1,115,182

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (272,118)	\$ -	\$ (272,118)
(254,352)	-	(254,352)
(68,090)	-	(68,090)
(249,639)	-	(249,639)
(190,017)	-	(190,017)
(1,392,308)	-	(1,392,308)
(89,626)	-	(89,626)
(91,417)	-	(91,417)
(9,527)	-	(9,527)
(178,706)	-	(178,706)
(206,423)	-	(206,423)
(1,183,313)	-	(1,183,313)
(7,194)	-	(7,194)
<u>(4,192,730)</u>	<u>-</u>	<u>(4,192,730)</u>
-	(3,080)	(3,080)
-	(3,080)	(3,080)
<u>(4,192,730)</u>	<u>(3,080)</u>	<u>(4,195,810)</u>
3,257,556	-	3,257,556
729,830	-	729,830
143,816	187	144,003
12,140	-	12,140
<u>4,143,342</u>	<u>187</u>	<u>4,143,529</u>
(49,388)	(2,893)	(52,281)
<u>13,328,944</u>	<u>1,106,330</u>	<u>14,435,274</u>
<u>\$ 13,279,556</u>	<u>\$ 1,103,437</u>	<u>\$ 14,382,993</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

EXHIBIT C-1

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,350,717	\$ 996,547	\$ 784,803	\$ 3,132,067
Receivables, net of allowance for uncollectibles	2,350,685	142,081	-	2,492,766
Prepaid Items	-	-	30,481	30,481
Total Assets	<u>\$ 3,701,402</u>	<u>\$ 1,138,628</u>	<u>\$ 815,284</u>	<u>\$ 5,655,314</u>
LIABILITIES				
Accounts Payable	\$ 16,891	\$ -	\$ 1,459	\$ 18,350
Unearned Revenues	22,683	-	94,732	117,415
Total Liabilities	<u>39,574</u>	<u>-</u>	<u>96,191</u>	<u>135,765</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes and Fees	2,350,686	142,081	-	2,492,767
Total Deferred Inflows of Resources	<u>2,350,686</u>	<u>142,081</u>	<u>-</u>	<u>2,492,767</u>
FUND BALANCES				
Reported in Special Revenue Funds	-	996,547	719,093	1,715,640
Unassigned Fund Balance	1,311,142	-	-	1,311,142
Total Fund Balances	<u>1,311,142</u>	<u>996,547</u>	<u>719,093</u>	<u>3,026,782</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,701,402</u>	<u>\$ 1,138,628</u>	<u>\$ 815,284</u>	<u>\$ 5,655,314</u>

The notes to the financial statements are an integral part of this statement.

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

Total Fund Balances - Governmental Funds	\$	3,026,782
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,551,198 and the accumulated depreciation was \$14,697,929. In addition, long-term liabilities, including notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		10,582,750
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		146,389
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(672,164)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		195,799
Net Position of Governmental Activities	<u>\$</u>	<u>13,279,556</u>

The notes to the financial statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,574,499	\$ 673,941	\$ 249,083	\$ 3,497,523
Licenses and Permits	-	491,275	-	491,275
Intergovernmental Revenue and Grants	51,729	252,193	804,159	1,108,081
Charges for Services	286,802	-	35,958	322,760
Fines	122,592	-	40,148	162,740
Other Revenue	107,139	7,297	19,042	133,478
Total Revenues	<u>3,142,761</u>	<u>1,424,706</u>	<u>1,148,390</u>	<u>5,715,857</u>
EXPENDITURES:				
Current:				
General Government	253,401	-	35,191	288,592
Judicial	337,699	-	-	337,699
Legal	95,889	-	27,994	123,883
Financial	389,366	-	-	389,366
Public Facilities	171,266	-	18,751	190,017
Public Safety	1,367,136	-	190,959	1,558,095
Cultural & Recreational	89,626	-	-	89,626
Conservation	119,111	-	-	119,111
Intergovernmental	9,527	-	385,969	395,496
Miscellaneous	182,316	-	-	182,316
Health & Welfare	-	-	260,298	260,298
Roads & Streets	-	960,768	201,051	1,161,819
Debt Service:				
Other Debt Principal	-	66,105	-	66,105
Debt Interest - Bonded Debt	-	7,194	-	7,194
Capital Outlay:				
Capital Outlay	11,000	56,784	12,500	80,284
Total Expenditures	<u>3,026,337</u>	<u>1,090,851</u>	<u>1,132,713</u>	<u>5,249,901</u>
Excess of Revenues Over Expenditures	<u>116,424</u>	<u>333,855</u>	<u>15,677</u>	<u>465,956</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	29,310	-	29,310
Transfers In	-	-	16,596	16,596
Transfers Out (Use)	(16,596)	-	-	(16,596)
Total Other Financing Sources (Uses)	<u>(16,596)</u>	<u>29,310</u>	<u>16,596</u>	<u>29,310</u>
Net Change in Fund Balances	99,828	363,165	32,273	495,266
Fund Balance - October 1 (Beginning)	<u>1,211,314</u>	<u>633,382</u>	<u>686,820</u>	<u>2,531,516</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,311,142</u>	<u>\$ 996,547</u>	<u>\$ 719,093</u>	<u>\$ 3,026,782</u>

The notes to the financial statements are an integral part of this statement.

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

Total Net Change in Fund Balances - Governmental Funds	\$	495,266
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.		146,389
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(672,164)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(18,879)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(49,388)</u>

The notes to the financial statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Taxes	\$ 2,476,275	\$ 2,476,275	\$ 2,574,499	\$ 98,224
Intergovernmental Revenue and Grants	172,650	172,650	51,729	(120,921)
Charges for Services	251,550	251,550	286,802	35,252
Fines	130,800	130,800	122,592	(8,208)
Other Revenue	52,600	52,600	107,139	54,539
Total Revenues	<u>3,083,875</u>	<u>3,083,875</u>	<u>3,142,761</u>	<u>58,886</u>
EXPENDITURES:				
Current:				
General Government	273,837	273,837	253,401	20,436
Judicial	336,645	350,351	337,699	12,652
Legal	92,503	95,889	95,889	-
Financial	419,785	419,785	389,366	30,419
Public Facilities	204,866	204,866	171,266	33,600
Public Safety	1,486,299	1,488,719	1,367,136	121,583
Cultural & Recreational	102,788	102,788	89,626	13,162
Conservation	208,336	208,336	119,111	89,225
Intergovernmental	14,600	14,600	9,527	5,073
Miscellaneous	331,775	305,732	182,316	123,416
Debt Service:				
Other Debt Principal	8,000	-	-	-
Capital Outlay:				
Capital Outlay	16,000	30,475	11,000	19,475
Total Expenditures	<u>3,495,434</u>	<u>3,495,378</u>	<u>3,026,337</u>	<u>469,041</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(411,559)</u>	<u>(411,503)</u>	<u>116,424</u>	<u>527,927</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	50,000	50,000	-	(50,000)
Transfers Out (Use)	(16,596)	(16,596)	(16,596)	-
Total Other Financing Sources (Uses)	<u>33,404</u>	<u>33,404</u>	<u>(16,596)</u>	<u>(50,000)</u>
Net Change	(378,155)	(378,099)	99,828	477,927
Fund Balance - October 1 (Beginning)	<u>1,211,314</u>	<u>1,211,314</u>	<u>1,211,314</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 833,159</u>	<u>\$ 833,215</u>	<u>\$ 1,311,142</u>	<u>\$ 477,927</u>

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business Type Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 127,045
Total Current Assets	<u>127,045</u>
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	22,431
Buildings	1,641,823
Accumulated Depreciation - Buildings	<u>(687,862)</u>
Total Noncurrent Assets	<u>976,392</u>
Total Assets	<u>1,103,437</u>
NET POSITION	
Unrestricted Net Position	<u>1,103,437</u>
Total Net Position	<u><u>\$ 1,103,437</u></u>

The notes to the financial statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-2

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 29,731
Other Revenue	187
Total Operating Revenues	29,918
OPERATING EXPENSES:	
Depreciation	32,811
Total Operating Expenses	32,811
Operating Income (Loss)	(2,893)
Total Net Position -October 1 (Beginning)	1,106,330
 Total Net Position September 30 (Ending)	 \$ 1,103,437

The notes to the financial statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Business Type Activities</u>
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 29,918
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Increase in Cash and Cash Equivalents	29,918
Cash and Cash Equivalents at Beginning of the Year:	97,127
Cash and Cash Equivalents at the End of the Year:	<u>\$ 127,045</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ (2,893)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	32,811
Net Cash Provided by Operating Activities	<u>\$ 29,918</u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

Red River County, Texas
STATEMENT OF NET POSITION--FIDUCIARY FUND
as of September 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	388,047
Accounts receivable	-
Total Assets	<u>388,047</u>
LIABILITIES	
Due to other governments	<u>388,047</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red River County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Red River County with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include fees of offices. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the County to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

- 1. **The General Fund** -- The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. **Special Revenue Funds** -- One special revenue fund is considered a major fund. This fund is the main road and bridge. See the definition of these funds below.

Additionally, the County reports the following fund type(s):

Governmental Funds:

- 1. **Special Revenue Funds** -- The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

Proprietary Funds:

- 1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Fund is the jail housing fund.

Fiduciary Funds:

- 1. **Agency Funds** --The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains trust funds.

E. OTHER ACCOUNTING POLICIES

- 1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
- 2. In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
- 3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the County and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	5
Office Equipment	5-7
Machinery	7-10
Roads	50

4. Some cash and investments are restricted for future debt payments.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. Investments are recorded at fair market value.
8. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.
9. Deferred Outflows/Inflows of Resources—The County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. In addition to assets, the statement of net 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 has no type of item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category, property taxes and fines. This amount will be recognized as an inflow of resources in the subsequent years as collected.

10. Fund balance measures the net financial resources available to finance expenditures of future periods. The County's Unassigned General Fund Balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the County Commissioner's Court.

Fund balance of the County may be committed for a specific source by formal action of the County Commissioner's Court. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commissioner's Court.

When it is appropriate for fund balance to be assigned, the Commissioner's Court delegates authority to the County Judge and Auditor. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Position</u>
Land	128,149	-	128,149	
Buildings & improvements	5,477,949	(1,507,141)	3,970,808	
Machinery & equipment	3,252,600	(2,507,588)	745,012	
Roads	16,692,500	(10,683,200)	6,009,300	
Change in Net Position	<u>25,551,198</u>	<u>(14,697,929)</u>	<u>10,853,269</u>	<u>10,853,269</u>
 			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Notes payable			<u>270,519</u>	
Change in Net Position				<u>270,519</u>
Net Adjustment to Net Position				<u><u>10,582,750</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Land	2,925	2,925	2,925
Machinery & equipment	77,359	77,359	77,359
Total Capital Outlay	<u>80,284</u>	<u>80,284</u>	<u>80,284</u>
Book value of assets disposed of	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Debt Principal Payments</u>			
Note principal	66,105	66,105	66,105
Total Principal Payments	<u>66,105</u>	<u>66,105</u>	<u>66,105</u>
Total Adjustment to Net Position		<u>146,389</u>	<u>146,389</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	157,711	(157,711)	-
Uncollected taxes (assumed collectible) from Current Year Levy	119,181	119,181	119,181
Uncollected Taxes (assumed collectible) from Prior Year Levy	166,056	-	166,056
Effect of prior year tax entry	37,118	37,118	-
<u>Valuation and comp. Time payable</u>			
End of year liability	89,438	-	(89,438)
Change in liability from prior year	<u>17,467</u>	<u>(17,467)</u>	<u>-</u>
Total		<u>(18,879)</u>	<u>195,799</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioners court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioners court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable state maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The county is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the County are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk--Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the County are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the County.

At September 30, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,548,251 and the bank balance was \$4,420,320. The county's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances on the date of September 30, 2014:

- a. Depository: State Bank of Dekalb
 - b. The market value of securities pledged as of September 30, 2014 was \$5,500,000.
 - c. Total amount of FDIC coverage at September 30, 2014 was \$250,000.
2. Custodial Credit Risk--Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
 3. Interest-rate Risk-- Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay fair value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
 4. Concentration Risk--Concentration risk is defined as positions of 4 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.
 5. Other Credit Risk Exposure--The County has no investments in external investment pools.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The County levied property taxes for the 2013 tax roll totaling approximately \$3.3 million. Such tax is based on an assessed valuation of approximately \$439 million with an applicable tax rate of \$0.74801 per \$100 valuation.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS

Transfers between funds were as follows:

Transfers to Nonmajor Governmental Funds from:	
General Fund	16,596
Total Transferred to Nonmajor Governmental Funds	<u>16,596</u>

This is the County's local contribution to the Juvenile Probation Department.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	685,147	3,198,638	-	-	3,883,785
Major Special Revenue Funds	177,708	-	-	-	177,708
Nonmajor Governmental Funds	-	-	-	-	-
Total - Governmental Activities	<u>862,855</u>	<u>3,198,638</u>	<u>-</u>	<u>-</u>	<u>4,061,493</u>
Amounts not scheduled for collection during the subsequent year	<u>172,656</u>	<u>1,396,070</u>	<u>-</u>	<u>-</u>	<u>1,568,726</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2014, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	16,891	-	-	-	16,891
Major Special Revenue Funds	-	-	-	-	-
Nonmajor Gov. Funds	1,459	-	-	-	1,459
Total - Gov. Activities	<u>18,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,350</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
County:				
Land	128,149	2,925	-	131,074
Buildings and Improvements	5,477,949	-	-	5,477,949
Machinery and Equipment	3,252,600	77,359	(36,250)	3,293,709
Roads	16,692,500	-	-	16,692,500
Totals at Historic Cost	<u>25,551,198</u>	<u>80,284</u>	<u>(36,250)</u>	<u>25,595,232</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,507,141)	(100,433)	-	(1,607,574)
Machinery and Equipment	(2,507,588)	(237,881)	36,250	(2,709,219)
Roads	(10,683,200)	(333,850)	-	(11,017,050)
Total Accumulated Depreciation	<u>(14,697,929)</u>	<u>(672,164)</u>	<u>36,250</u>	<u>(15,333,843)</u>
Governmental Activities Capital Assets, Net	<u>10,853,269</u>	<u>(591,880)</u>	<u>-</u>	<u>10,261,389</u>
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities:				
Land	22,431	-	-	22,431
Buildings and Improvements	1,641,823	-	-	1,641,823
Totals at Historic Cost	<u>1,664,254</u>	<u>-</u>	<u>-</u>	<u>1,664,254</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(655,051)	(32,811)	-	(687,862)
Total Accumulated Depreciation	<u>(655,051)</u>	<u>(32,811)</u>	<u>-</u>	<u>(687,862)</u>
Business-Type Activities Capital Assets, Net	<u>1,009,203</u>	<u>(32,811)</u>	<u>-</u>	<u>976,392</u>
Primary Government Capital Assets, net	<u>11,862,472</u>	<u>(624,691)</u>	<u>-</u>	<u>11,237,781</u>

Depreciation expense was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	62,990	Public Safety	6,367
Public Safety	32,997	Judicial	26,444
Highways, Streets and Bridges	474,738		
Financial	21,117		
Judicial	80,322		
	<u>672,164</u>		<u>32,811</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the County for the year ended September 30, 2014:

	Original Amount	Interest Rate	Payable at 10/1/13	Additions (Reductions)	Payable at 9/30/2014	Due within One Year
Note Payable--caterpillar motorgrader R&B #2	200,025	3.00%	148,904	(11,301)	137,603	137,603
Note Payable--caterpillar motorgrader R&B #2	160,000	3.00%	26,155	(15,603)	10,552	10,552
Note Payable--2010 Mack truck R&B #2	95,000	3.00%	43,000	(17,200)	25,800	25,800
Note Payable--2010 Mack truck R&B #4	95,000	3.00%	43,000	(17,200)	25,800	25,800
Note Payable--Boom Axe cutter R&B#2	10,660	3.00%	9,460	(4,801)	4,659	4,659
			<u>270,519</u>	<u>(66,105)</u>	<u>204,414</u>	<u>204,414</u>

The Counties long-term debt as of September 30, 2014, follows:

(A) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 including interest at 3.00% and one payment for the remaining balance on July 19, 2015	137,603
(B) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 plus interest at 3.00% and one payment for the remaining balance on June 19, 2015	10,552
(C) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,433 plus interest at 3.00% and one payment for the remaining balance on March 19, 2015	25,800
(D) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,433 plus interest at 3.00% and one payment for the remaining balance on March 19, 2015	25,800
(E) Note payable, State Bank of DeKalb, due in monthly principal payments of \$400 plus interest at 3.00% and one payment for the remaining balance on June 19, 2015	4,659
	<u>204,414</u>

The annual requirements to amortize notes payable as of September 30, 2014, follows:

Years Ending	Principal	Interest	Total
<u>9/30</u>			
2015	204,414	5,930	210,344
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
	<u>204,414</u>	<u>5,930</u>	<u>210,344</u>

H. RETIREMENT PLAN

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

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 5 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 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum, are not entitled to any amounts contributed by the 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.

B. 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 8.80% for the months of the accounting year in 2013, and 9.34% for the months of the accounting year in 2014.

The contribution rate payable by the employee members for calendar year 2013 is the rate of 7% as adopted by the governing body of the employer.

H. RETIREMENT PLAN cont'd

C. Annual Pension Cost. For the employer's accounting year ended September 30, 2014 the annual pension cost for the TCDRS plan for its employees was \$172,101, and the actual contributions were \$172,101.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2011, December 31, 2012, the basis for determining contribution rates for calendar years 2013 and 2014. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/11	12/31/12	12/31/13
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 yrs	20 yrs	20 yrs
Asset valuation method	10 yr smoothed value Fund value	10 yr smoothed value Fund value	5yr smoothed value Fund value
Actuarial Assumptions:			
Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) Includes inflation at the stated rate

Trend Information
for the Retirement Plan for the Employees of Red River County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/12	162,622	100%	-0-
9/30/13	169,404	100%	-0-
9/30/14	172,101	100%	-0-

Schedule of Funding Progress for the Retirement Plan
for the Employees of the Red River County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	4,853,586	5,187,747	334,161	93.56%	1,816,783	18.39%
12/31/12	4,949,070	5,430,481	481,411	91.14%	1,836,824	26.21%
12/31/13	5,015,494	5,438,158	422,664	92.23%	1,969,158	21.46%

I. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

J. 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; injuries to employees; and natural disasters. During fiscal 2014, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. VACATION AND COMP. TIME PAYABLE

Changes in vacation and comp. time payable is as follows:

<u>9/30/13</u>	<u>9/30/14</u>
71,971	89,438

L. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable and fines expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

M. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2014.

N. LITIGATION

The County has no pending litigation at September 30, 2014.

O. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2015.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	Law Library	Drug Fund	Courthouse Security	Indigent Health Care
ASSETS				
Cash and Cash Equivalents	\$ 25,036	\$ 57,901	\$ 24,712	\$ 202,126
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 25,036</u>	<u>\$ 57,901</u>	<u>\$ 24,712</u>	<u>\$ 202,126</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reported in Special Revenue Funds	25,036	57,901	24,712	202,126
Total Fund Balances	<u>25,036</u>	<u>57,901</u>	<u>24,712</u>	<u>202,126</u>
Total Liabilities and Fund Balances	<u>\$ 25,036</u>	<u>\$ 57,901</u>	<u>\$ 24,712</u>	<u>\$ 202,126</u>

Book Preservation	Record Management	Right of Way	Juvenile Probation	Juvenile Probation Comm. Correct	Diversionsary Placement	Title IV-E	Bail Bonds
\$ 52,031	\$ 14,872	\$ 54,244	\$ 27,676	\$ 16,779	\$ 2,083	\$ 69,186	\$ 14,688
-	-	-	15,353	-	-	15,128	-
<u>\$ 52,031</u>	<u>\$ 14,872</u>	<u>\$ 54,244</u>	<u>\$ 43,029</u>	<u>\$ 16,779</u>	<u>\$ 2,083</u>	<u>\$ 84,314</u>	<u>\$ 14,688</u>
\$ -	\$ (127)	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -
-	-	-	-	16,779	2,083	75,870	-
-	(127)	-	1,500	16,779	2,083	75,870	-
52,031	14,999	54,244	41,529	-	-	8,444	14,688
<u>52,031</u>	<u>14,999</u>	<u>54,244</u>	<u>41,529</u>	<u>-</u>	<u>-</u>	<u>8,444</u>	<u>14,688</u>
<u>\$ 52,031</u>	<u>\$ 14,872</u>	<u>\$ 54,244</u>	<u>\$ 43,029</u>	<u>\$ 16,779</u>	<u>\$ 2,083</u>	<u>\$ 84,314</u>	<u>\$ 14,688</u>

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	Hot Check Fee	Co. Attny. Drug Forfeiture	Co. Attny Welfare Fraud	Sheriff's Office Comm. Serv. Prog.
ASSETS				
Cash and Cash Equivalents	\$ 21,484	\$ 14,093	\$ 1,145	\$ 453
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 21,484</u>	<u>\$ 14,093</u>	<u>\$ 1,145</u>	<u>\$ 453</u>
LIABILITIES				
Accounts Payable	\$ 86	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Total Liabilities	<u>86</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reported in Special Revenue Funds	<u>21,398</u>	<u>14,093</u>	<u>1,145</u>	<u>453</u>
Total Fund Balances	<u>21,398</u>	<u>14,093</u>	<u>1,145</u>	<u>453</u>
Total Liabilities and Fund Balances	<u>\$ 21,484</u>	<u>\$ 14,093</u>	<u>\$ 1,145</u>	<u>\$ 453</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Law Library	Drug Fund	Courthouse Security	Indigent Health Care
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 249,083
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	5,775	-	-	-
Fines	-	5,169	8,327	-
Other Revenue	40	3,462	50	13,420
Total Revenues	5,815	8,631	8,377	262,503
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	6,360	-	-	-
Public Facilities	-	-	18,751	-
Public Safety	-	8,513	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	214,098
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	12,500	-	-
Total Expenditures	6,360	21,013	18,751	214,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(545)	(12,382)	(10,374)	48,405
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(545)	(12,382)	(10,374)	48,405
Fund Balance - October 1 (Beginning)	25,581	70,283	35,086	153,721
Fund Balance - September 30 (Ending)	\$ 25,036	\$ 57,901	\$ 24,712	\$ 202,126

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Law Library	Drug Fund	Courthouse Security	Indigent Health Care
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 249,083
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	5,775	-	-	-
Fines	-	5,169	8,327	-
Other Revenue	40	3,462	50	13,420
Total Revenues	<u>5,815</u>	<u>8,631</u>	<u>8,377</u>	<u>262,503</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	6,360	-	-	-
Public Facilities	-	-	18,751	-
Public Safety	-	8,513	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	214,098
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	12,500	-	-
Total Expenditures	<u>6,360</u>	<u>21,013</u>	<u>18,751</u>	<u>214,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(545)</u>	<u>(12,382)</u>	<u>(10,374)</u>	<u>48,405</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(545)	(12,382)	(10,374)	48,405
Fund Balance - October 1 (Beginning)	<u>25,581</u>	<u>70,283</u>	<u>35,086</u>	<u>153,721</u>
Fund Balance - September 30 (Ending)	<u>\$ 25,036</u>	<u>\$ 57,901</u>	<u>\$ 24,712</u>	<u>\$ 202,126</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hot Check Fee	Co. Attny. Drug Forfeiture	Co. Attny Welfare Fraud	Sheriff's Office Comm. Serv. Prog.
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	2,490	-	-	-
Fines	-	2,200	-	-
Other Revenue	35	56	2	1
Total Revenues	2,525	2,256	2	1
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	3,340	18,294	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	3,340	18,294	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(815)	(16,038)	2	1
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(815)	(16,038)	2	1
Fund Balance - October 1 (Beginning)	22,213	30,131	1,143	452
Fund Balance - September 30 (Ending)	\$ 21,398	\$ 14,093	\$ 1,145	\$ 453

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hot Check Fee	Co. Attny. Drug Forfeiture	Co. Attny Welfare Fraud	Sheriff's Office Comm. Serv. Prog.
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	2,490	-	-	-
Fines	-	2,200	-	-
Other Revenue	35	56	2	1
Total Revenues	<u>2,525</u>	<u>2,256</u>	<u>2</u>	<u>1</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	3,340	18,294	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>3,340</u>	<u>18,294</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(815)</u>	<u>(16,038)</u>	<u>2</u>	<u>1</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(815)	(16,038)	2	1
Fund Balance - October 1 (Beginning)	<u>22,213</u>	<u>30,131</u>	<u>1,143</u>	<u>452</u>
Fund Balance - September 30 (Ending)	<u>\$ 21,398</u>	<u>\$ 14,093</u>	<u>\$ 1,145</u>	<u>\$ 453</u>

Economic Development	Revolving Loan	PHIC Grant	Streets/Roads Improvement Grant	Home Grant	VSRP Fees	County Clerk Archive Fees	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,083
-	-	46,200	201,051	385,969	-	-	804,159
-	-	-	-	-	-	-	35,958
-	-	-	-	-	712	23,740	40,148
-	198	-	-	-	6	116	19,042
-	198	46,200	201,051	385,969	718	23,856	1,148,390
-	-	-	-	-	123	10,827	35,191
-	-	-	-	-	-	-	27,994
-	-	-	-	-	-	-	18,751
-	-	-	-	-	-	-	190,959
-	-	-	-	385,969	-	-	385,969
-	-	46,200	-	-	-	-	260,298
-	-	-	201,051	-	-	-	201,051
-	-	-	-	-	-	-	12,500
-	-	46,200	201,051	385,969	123	10,827	1,132,713
-	198	-	-	-	595	13,029	15,677
-	-	-	-	-	-	-	16,596
-	-	-	-	-	-	-	16,596
-	198	-	-	-	595	13,029	32,273
1,978	98,713	-	-	-	3,246	68,535	686,820
\$ 1,978	\$ 98,911	\$ -	\$ -	\$ -	\$ 3,841	\$ 81,564	\$ 719,093

FIDUCIARY FUNDS

Red River County, Texas
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUND
As of September 30, 2014

	State Trust	Arrest Fees	Law Enforcement	Total
ASSETS				
Cash and cash equivalents	280,529	95,423	12,095	388,047
Total Assets	<u>280,529</u>	<u>95,423</u>	<u>12,095</u>	<u>388,047</u>
LIABILITIES				
Due to other governments	<u>280,529</u>	<u>95,423</u>	<u>12,095</u>	<u>388,047</u>

FEDERAL AWARDS SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants
Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas, 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, and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

January 15, 2015



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

January 15, 2015

Red River County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED September 30, 2014

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Red River County was unmodified.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section 510(a). N/A
- g. An identification of major programs: Home Program, CFDA # 14.239
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

Red River County, Texas
SCHEDULE OF STATUS PRIOR FINDINGS
For the year ended September 30, 2014

N/A

Red River County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2014

N/A

The contact at the County is Camille Hines at 903-427-2131.

Red River County, Texas
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through Texas Department of Housing and Community Affairs</u>			
Home Program	14.239	1001625	<u>385,969</u>
Total Passed Through TDHCA			<u>385,969</u>
<u>Passed Through Texas Department of Agriculture</u>			
Street Improvements	14.228	713027	241,208
Street Improvements	14.228	713027	<u>201,051</u>
Total Passed Through Texas Department of Agriculture			<u>442,259</u>
TOTAL DEPARTMENT OF HUD			<u>828,228</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Department of State Health Services (DSHS)</u>			
PHIC	93.507	40294	<u>46,200</u>
Total Passed Through DSHS			<u>46,200</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>46,200</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>874,428</u></u>

Red River County, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014

1. Special revenue funds are normally used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. The sewer grant was accounted for in the proprietary fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Some federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2014

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDA
 CFDA# 14.228, Project #713027, Contract Period 6/3/13-6/2/15

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>350,000</u>	<u>-</u>	<u>241,208</u>	<u>241,208</u>
EXPENSES				
Street improvements	<u>320,000</u>	<u>-</u>	<u>226,208</u>	<u>226,208</u>
Administration	<u>30,000</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
TOTAL EXPENSES	<u>350,000</u>	<u>-</u>	<u>241,208</u>	<u>241,208</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2014

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDA
 CFDA# 14.228, Project #713399, Contract Period: 11/12/13-11/11/15

	Budget	Federal		Total
		Prior Year	Current Year	
REVENUE				
Federal	275,000	-	201,051	201,051
EXPENSES				
Street improvements	202,200	-	140,848	140,848
Engineering	50,300	-	45,203	45,203
Administration	22,500	-	15,000	15,000
TOTAL EXPENSES	275,000	-	201,051	201,051
EXCESS REVENUE OVER EXPENSES	-	-	-	-

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2014

Federal Grantor: U.S. Department of HUD

Pass through Grantor: TDHCA

CFDA# 14.239, Project #1001625, Contract Period: 5/7/12-5/6/14

	Budget	Federal		Total
		Prior Year	Current Year	
REVENUE				
Federal	418,838	27,988	385,969	413,957
EXPENSES				
Community development	404,460	27,988	371,591	399,579
Administration	14,378	-	14,378	14,378
TOTAL EXPENSES	418,838	27,988	385,969	413,957
EXCESS REVENUE OVER EXPENSES	-	-	-	-