

Red River County, Texas

**Financial Statements
And Independent Auditor's Report**

For the year ended September 30, 2013

Red River County, Texas
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 Year ended September 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2013, and the respective changes in financial position, and, where applicable, cashflows 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 County'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 combining and individual non-major fund financial statements and the federal program project schedule 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 federal program project schedule 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 8, 2014, 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 8, 2014

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, 2013. 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, 2013. \$10.6 million of the net position is invested in capital assets, net of related debt. During the year, the County's expenses were \$120 thousand more than the \$5.2 million generated in taxes, charges for services and other revenues from governmental activities. This includes depreciation expense of \$703 thousand.

The total cost of all the County's activities was about \$5.3 million, a decrease of \$97 thousand.

The general fund balance is \$1.2 million at September 30, 2013, which is an increase of \$232 thousand. General fund revenue remained fairly stable compared to the prior year with an increase of \$61 thousand in property tax revenue and \$17 thousand in sales tax. Expenditures remained similar to the prior year in most departments. Sheriff Office expenses were up \$68 thousand. Personnel costs were up \$40 thousand and capital outlay costs were up \$15 thousand. Jail expenses were up \$74 thousand. Repair and maintenance costs as well as inmate costs were more than the prior year. Also, an emergency management coordinator department was created this year. These costs were \$42 thousand.

During the year, \$103 thousand of fixed assets were added. \$11 thousand of new debt was obtained to acquire equipment. \$62 thousand of principal was paid on debt.

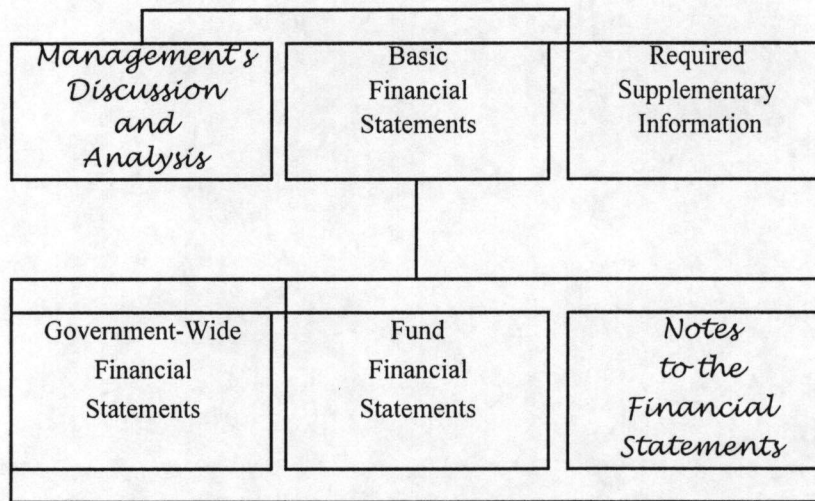
Approximately 93% of the taxes levied for 2012-13 were collected by September 30, 2013.

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, 2013.

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

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	5,057	4,644	97	38	5,154	4,682
Capital and non-current assets	10,853	11,423	1,009	1,042	11,862	12,465
TOTAL ASSETS	15,910	16,067	1,106	1,080	17,016	17,147
Long-term liabilities	270	322	-	-	270	322
Other liabilities	168	76	-	-	168	76
TOTAL LIABILITIES	438	398	-	-	438	398
Unavailable revenue-property taxes and fines, and fees	2,143	2,194	-	-	2,143	2,194
TOTAL DEFERRED INFLOWS OF RESOURCES	2,143	1,701	-	-	2,143	2,194
Invested in capital assets net of related debt	10,583	11,101	-	-	10,583	11,101
Restricted	1,320	1,225	-	-	1,320	1,225
Unrestricted	1,426	1,149	1,106	1,080	2,532	2,229
TOTAL NET POSITION	13,329	13,475	1,106	1,080	14,435	14,555

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 \$2.53 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$1.32 million is restricted as follows:

Restricted for debt service	-
Restricted for special revenue funds	<u>1,320</u>
	<u>1,320</u>

Net position of the County decreased \$120 thousand. The County recorded depreciation of \$703 thousand. \$103 thousand of fixed assets were added. \$62 thousand was paid on principal on debt. The County's revenues exceeded expenditures by \$328 thousand in the governmental funds. Revenues exceeded expenses by \$26 thousand in the proprietary fund.

Changes in net position.

The County's total revenues were \$5.2 million. 63% of this came from property taxes, 15% came from sales taxes and other taxes, 12% came from charges for services, and 10% came from operating grants and contributions.

The total cost of all programs was \$5.3 million. Approximately 32% of this was for public safety and 27% was for highways, streets and bridges.

Net position decreased by \$120 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	
	2013	2012	2013	2012	2013	2012
Revenues						
<u>Program Revenues</u>						
Charges for Services	629	473	59	19	688	492
Operating Grants and Contributions	475	844	-	-	475	844
<u>General Revenues</u>						
Property Taxes	3,226	3,110	-	-	3,226	3,110
Other taxes	711	709	-	-	711	709
Investment earnings	11	11	-	-	11	11
Other	60	262	-	-	60	262
Total Revenues	<u>5,112</u>	<u>5,409</u>	<u>59</u>	<u>19</u>	<u>5,171</u>	<u>5,428</u>
Expenses						
General Government	318	324	-	-	318	324
Judicial	371	373	-	-	371	373
Legal	112	126	-	-	112	126
Financial	390	401	-	-	390	401
Public Facility	133	149	-	-	133	149
Public Safety	1,672	1,356	33	33	1,705	1,389
Health and Welfare	274	233	-	-	274	233
Roads & Streets	1,442	1,539	-	-	1,442	1,539
Cultural and Recreational	98	97	-	-	98	97
Conservation	131	114	-	-	131	114
Intergovernmental	36	405	-	-	36	405
General-miscellaneous	272	225	-	-	272	225
Debt service	9	13	-	-	9	13
Total Expenses	<u>5,258</u>	<u>5,355</u>	<u>33</u>	<u>33</u>	<u>5,291</u>	<u>5,388</u>
Other Sources (Uses)						
Transfers in (out)	-	-	-	-	-	-
Increase (Decrease) in Net Position	(146)	54	26	(14)	(120)	40
Beginning Net Position	13,475	13,421	1,080	1,094	14,555	14,515
Ending Net Position	<u>13,329</u>	<u>13,475</u>	<u>1,106</u>	<u>1,080</u>	<u>14,435</u>	<u>14,555</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 \$5.3 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$3.2 million.
- Some of the cost was paid by those who directly benefited from the programs (\$688 thousand), or by grants and contributions (\$475 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General Government	318	324	222	203
Public Safety	1,670	1,356	1,191	1,134
Highways, Streets and Bridges	1,442	1,539	1,417	1,393

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$2.5 million at September 30, 2013. This balance is composed of the following in thousands

General	1,211
Special Revenue	1,320
	<u>2,531</u>

Fund balance in the governmental funds increased \$328 thousand. The general fund balance increased \$232 thousand as compared to \$367 thousand the prior year. This is due to increased expenditures as referred to above. The Main Road & Bridge fund balance increased \$99 thousand as compared to \$56 thousand the prior year. Debt service expenditures were less than the prior year. Other special revenue funds remained about the same.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$464 thousand. Actual revenues were \$117 thousand more than budgeted. \$311 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$232 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Land	128	128	22	22
Roads	16,692	16,692	-	-
Buildings and improvements	5,478	5,478	1,642	1,642
Machinery and equipment	3,253	3,175	-	-
Totals at historical cost	<u>25,551</u>	<u>25,473</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(14,698)</u>	<u>(14,050)</u>	<u>(655)</u>	<u>(622)</u>
Net capital assets	<u><u>10,853</u></u>	<u><u>11,423</u></u>	<u><u>1,009</u></u>	<u><u>1,042</u></u>

\$103 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	
	2013	2012	2013	2012
Notes payable	271	322	-	-
Vacation & comp. time payable	<u>72</u>	<u>85</u>	<u>-</u>	<u>-</u>
	<u><u>343</u></u>	<u><u>407</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

One new loan for \$11 thousand for road equipment was obtained this year. \$62 thousand was paid on principal this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In setting the FY 2014 budget, the governing body of Red River, after careful deliberation, approved continuing the same tax rate as the last two 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.

No significant increases to expenditures are budgeted for FY 2014. General Fund expenditures have been held relatively constant since 2009. No new programs or initiatives are added for 2014. Also, no significant purchases of fixed assets are currently budgeted.

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

RED RIVER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,625,480	\$ 97,127	\$ 2,722,607
Receivables (net of allowance for uncollectibles)	2,431,560	-	2,431,560
Capital Assets:			
Land	128,149	22,431	150,580
Infrastructure, net	6,009,300	-	6,009,300
Buildings, net	3,970,808	986,772	4,957,580
Machinery and Equipment, net	745,012	-	745,012
Total Assets	<u>15,910,309</u>	<u>1,106,330</u>	<u>17,016,639</u>
LIABILITIES			
Accounts Payable and Other	97,971	-	97,971
Deferred Revenues	70,324	-	70,324
Noncurrent Liabilities			
Due Within One Year	270,519	-	270,519
Total Liabilities	<u>438,814</u>	<u>-</u>	<u>438,814</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue-Property Taxes, Fines & Fees	2,142,551	-	2,142,551
Total Deferred Inflows of Resources	<u>2,142,551</u>	<u>-</u>	<u>2,142,551</u>
NET POSITION			
Net Invested in Capital Assets, net of related debt	10,582,750	-	10,582,750
Restricted for Special Revenue Funds	1,320,202	-	1,320,202
Unrestricted Net Position	1,425,992	1,106,330	2,532,322
Total Net Position	<u>\$ 13,328,944</u>	<u>\$ 1,106,330</u>	<u>\$ 14,435,274</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, 2013

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 318,415	\$ 85,903	\$ 10,599
Judicial	370,700	171,343	560
Legal	111,927	10,047	27,500
Financial	389,643	154,030	-
Public Facilities	133,052	-	-
Public Safety	1,670,479	187,692	291,538
Cultural & Recreational	98,467	-	-
Conservation	131,125	15,956	-
Intergovernmental	36,342	-	36,342
Miscellaneous	272,174	3,720	-
Health & Welfare	274,473	-	82,578
Roads & Streets	1,442,233	-	25,425
Interest	8,913	-	-
Total Governmental Activities:	5,257,943	628,691	474,542
BUSINESS-TYPE ACTIVITIES:			
	32,811	59,028	-
Total Business-Type Activities:	32,811	59,028	-
TOTAL PRIMARY GOVERNMENT:	\$ 5,290,754	\$ 687,719	\$ 474,542

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
\$ (221,913)	\$ -	\$ (221,913)
(198,797)	-	(198,797)
(74,380)	-	(74,380)
(235,613)	-	(235,613)
(133,052)	-	(133,052)
(1,191,249)	-	(1,191,249)
(98,467)	-	(98,467)
(115,169)	-	(115,169)
-	-	-
(268,454)	-	(268,454)
(191,895)	-	(191,895)
(1,416,808)	-	(1,416,808)
(8,913)	-	(8,913)
(4,154,710)	-	(4,154,710)
-	26,217	26,217
-	26,217	26,217
(4,154,710)	26,217	(4,128,493)
3,225,608	-	3,225,608
711,435	-	711,435
60,170	98	60,268
11,444	-	11,444
4,008,657	98	4,008,755
(146,053)	26,315	(119,738)
13,474,997	1,080,015	14,555,012
\$ 13,328,944	\$ 1,106,330	\$ 14,435,274

GOVERNMENT WIDE STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

EXHIBIT C-1

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,228,314	\$ 633,382	\$ 763,784	\$ 2,625,480
Receivables, net of allowance for uncollectibles	2,288,577	140,623	2,360	2,431,560
Total Assets	\$ 3,516,891	\$ 774,005	\$ 766,144	\$ 5,057,040
LIABILITIES				
Accounts Payable	\$ 17,000	\$ -	\$ 9,000	\$ 26,000
Unearned Revenues	-	-	70,324	70,324
Total Liabilities	17,000	-	79,324	96,324
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes and fees	2,288,577	140,623	-	2,429,200
Total Inflows of Resources	2,288,577	140,623	-	2,429,200
FUND BALANCES				
Reported in Special Revenue Funds	-	633,382	686,820	1,320,202
Unassigned Fund Balance	1,211,314	-	-	1,211,314
Total Fund Balances	1,211,314	633,382	686,820	2,531,516
Total Liabilities, Deferred Inflows & Fund Balances	\$ 3,516,891	\$ 774,005	\$ 766,144	\$ 5,057,040

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, 2013

Total Fund Balances - Governmental Funds	\$	2,531,516
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 \$25,472,813 and the accumulated depreciation was \$14,050,228. In addition, long-term liabilities, including bonds 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.		11,100,559
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 2013 capital outlays and debt principal payments is to increase (decrease) net position.		164,817
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(671,966)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred 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.		204,018
Net Position of Governmental Activities	\$	13,328,944

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, 2013

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Taxes	\$ 2,512,123	\$ 662,028	\$ 245,789	\$ 3,419,940
Licenses and Permits	-	492,622	-	492,622
Intergovernmental Revenue and Grants	128,511	25,245	345,701	499,457
Charges for Services	283,412	-	25,993	309,405
Fines	128,075	-	108,186	236,261
Other Revenue	106,115	5,352	4,280	115,747
Total Revenues	3,158,236	1,185,247	729,949	5,073,432
EXPENDITURES:				
Current:				
General Government	231,614	-	36,793	268,407
Judicial	290,667	-	-	290,667
Legal	82,032	-	29,895	111,927
Financial	369,591	-	-	369,591
Public Facilities	131,803	-	1,249	133,052
Public Safety	1,278,473	-	359,026	1,637,499
Cultural & Recreational	98,467	-	-	98,467
Conservation	131,125	-	-	131,125
Intergovernmental	8,354	-	27,988	36,342
Miscellaneous	272,174	-	-	272,174
Health & Welfare	-	-	274,473	274,473
Roads & Streets	-	960,802	5,535	966,337
Debt Service:				
Principal	-	62,167	-	62,167
Interest	-	8,913	-	8,913
Capital Outlay:				
Capital Outlay	15,000	72,650	15,000	102,650
Total Expenditures	2,909,300	1,104,532	749,959	4,763,791
Excess (Deficiency) of Revenues Over (Under) Expenditures	248,936	80,715	(20,010)	309,641
OTHER FINANCING SOURCES (USES):				
Sale of Assets	-	7,200	-	7,200
Loan Proceeds	-	10,660	-	10,660
Transfers In	-	-	16,596	16,596
Transfers Out (Use)	(16,596)	-	-	(16,596)
Total Other Financing Sources (Uses)	(16,596)	17,860	16,596	17,860
Net Change in Fund Balances	232,340	98,575	(3,414)	327,501
Fund Balance - October 1 (Beginning)	978,974	534,807	690,234	2,204,015
Fund Balance - September 30 (Ending)	\$ 1,211,314	\$ 633,382	\$ 686,820	\$ 2,531,516

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	327,501
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 2013 capital outlays and debt principal payments is to increase (decrease) the change in net position.		164,817
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.		(671,966)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred 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.		33,595
Change in Net Position of Governmental Activities	\$	(146,053)

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, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Taxes	\$ 2,431,986	\$ 2,431,986	\$ 2,512,123	\$ 80,137
Intergovernmental Revenue and Grants	199,280	199,280	128,511	(70,769)
Charges for Services	240,200	240,200	283,412	43,212
Fines	133,500	133,500	128,075	(5,425)
Other Revenue	36,500	36,500	106,115	69,615
Total Revenues	3,041,466	3,041,466	3,158,236	116,770
EXPENDITURES:				
Current:				
General Government	239,642	239,642	231,614	8,028
Judicial	323,550	327,179	290,667	36,512
Legal	90,244	90,244	82,032	8,212
Financial	408,574	408,574	369,591	38,983
Public Facilities	181,564	181,564	131,803	49,761
Public Safety	1,466,577	1,481,577	1,278,473	203,104
Cultural & Recreational	100,724	100,724	98,467	2,257
Conservation	195,123	195,123	131,125	63,998
Intergovernmental	14,600	14,600	8,354	6,246
Miscellaneous	321,169	317,540	272,174	45,366
Debt Service:				
Interest	8,000	882	-	882
Capital Outlay:				
Capital Outlay	16,000	16,000	15,000	1,000
Total Expenditures	3,365,767	3,373,649	2,909,300	464,349
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,301)	(332,183)	248,936	581,119
OTHER FINANCING SOURCES (USES):				
Transfers In	38,000	38,000	-	(38,000)
Transfers Out (Use)	(16,596)	(16,596)	(16,596)	-
Total Other Financing Sources (Uses)	21,404	21,404	(16,596)	(38,000)
Net Change	(302,897)	(310,779)	232,340	543,119
Fund Balance - October 1 (Beginning)	978,974	978,974	978,974	-
Fund Balance - September 30 (Ending)	\$ 676,077	\$ 668,195	\$ 1,211,314	\$ 543,119

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, 2013

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 97,127
Total Current Assets	97,127
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	22,431
Buildings	1,641,823
Accumulated Depreciation - Buildings	(655,051)
Total Noncurrent Assets	1,009,203
Total Assets	1,106,330
NET POSITION	
Unrestricted Net Position	1,106,330
Total Net Position	\$ 1,106,330

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, 2013

EXHIBIT D-2

Business Type
 Activities

OPERATING REVENUES:	
Charges for Services	\$ 59,028
Other Revenue	98
Total Operating Revenues	59,126
OPERATING EXPENSES:	
Depreciation	32,811
Total Operating Expenses	32,811
Operating Income	26,315
Total Net Position - October 1 (Beginning)	1,080,015
Total Net Position - September 30 (Ending)	\$ 1,106,330

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, 2013

	Business Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 59,126
<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	59,126
Cash and Cash Equivalents at Beginning of the Year:	38,001
Cash and Cash Equivalents at the End of the Year:	\$ 97,127
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 26,315
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	32,811
Net Cash Provided by Operating Activities	\$ 59,126

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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	356,585
Accounts receivable	-
Total Assets	<u><u>356,585</u></u>
LIABILITIES	
Due to other governments	<u><u>356,585</u></u>

The accompanying notes are an integral part of this statement.

Red River County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2013

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 at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	128,149	-	128,149	
Buildings & improvements	5,477,949	(1,404,641)	4,073,308	
Machinery & equipment	3,174,215	(2,296,237)	877,978	
Roads	16,692,500	(10,349,350)	6,343,150	
Change in Net Position	<u>25,472,813</u>	<u>(14,050,228)</u>	<u>11,422,585</u>	<u>11,422,585</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Notes payable			322,026	
Change in Net Position				<u>322,026</u>
Net Adjustment to Net Position				<u><u>11,100,559</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>			
Building & improvement	-	-	-
Machinery & equipment	102,650	102,650	102,650
Total Capital Outlay	<u>102,650</u>	<u>102,650</u>	<u>102,650</u>
Book value of assets disposed of	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Debt Principal Payments</u>			
Note principal	<u>62,167</u>	<u>62,167</u>	<u>62,167</u>
Total Principal Payments	<u>62,167</u>	<u>62,167</u>	<u>62,167</u>
Total Adjustment to Net Position		<u><u>164,817</u></u>	<u><u>164,817</u></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	145,514	(145,514)	-
Uncollected taxes (assumed collectible) from Current Year Levy	127,121	127,121	127,121
Uncollected Taxes (assumed collectible) from Prior Year Levy	159,528	-	159,528
Effect of prior year tax entry	49,651	49,651	-
<u>Debt Proceeds</u>			
Loan proceeds	10,660	(10,660)	(10,660)
<u>Valuation and comp. Time payable</u>			
End of year liability	71,971	-	(71,971)
Change in liability from prior year	<u>12,997</u>	<u>12,997</u>	<u>-</u>
Total		<u><u>33,595</u></u>	<u><u>204,018</u></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, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,962,983 and the bank balance was \$3,029,159. The county's cash deposits at September 30, 2013 and during the year ended September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances on the date of September 30, 2013:

- a. Depository: State Bank of Dekalb
 - b. The market value of securities pledged as of September 30, 2013 was \$4,500,000.
 - c. Total amount of FDIC coverage at September 30, 2013 was \$500,000.
- 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 purchases 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 2012 tax roll totaling approximately \$3.3 million. Such tax is based on an assessed valuation of approximately \$438 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, 2013, 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	674,199	3,060,924	-	-	3,735,123
Major Special Revenue Funds	175,779	-	-	-	175,779
Nonmajor Governmental Funds	-	-	2,360	-	2,360
Total - Governmental Activities	<u>849,978</u>	<u>3,060,924</u>	<u>2,360</u>	<u>-</u>	<u>3,913,262</u>
Amounts not scheduled for collection during the subsequent year	<u>169,996</u>	<u>1,311,706</u>	<u>-</u>	<u>-</u>	<u>1,481,702</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, 2013, 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	17,000	-	-	-	17,000
Major Special Revenue Funds	-	-	-	-	-
Nonmajor Gov. Funds	9,000	-	-	-	9,000
Total - Gov. Activities	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</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, 2013, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
County:				
Land	128,149	-	-	128,149
Buildings and Improvements	5,477,949	-	-	5,477,949
Machinery and Equipment	3,174,215	102,650	(24,265)	3,252,600
Roads	16,692,500	-	-	16,692,500
Totals at Historic Cost	<u>25,472,813</u>	<u>102,650</u>	<u>(24,265)</u>	<u>25,551,198</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,404,641)	(102,500)	-	(1,507,141)
Machinery and Equipment	(2,296,237)	(235,616)	24,265	(2,507,588)
Roads	(10,349,350)	(333,850)	-	(10,683,200)
Total Accumulated Depreciation	<u>(14,050,228)</u>	<u>(671,966)</u>	<u>24,265</u>	<u>(14,697,929)</u>
Governmental Activities Capital Assets, Net	<u>11,422,585</u>	<u>(569,316)</u>	<u>-</u>	<u>10,853,269</u>
	Beginning Balance	Additions	Retirements	Ending Balance
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	<u>(622,240)</u>	<u>(32,811)</u>	<u>-</u>	<u>(655,051)</u>
Total Accumulated Depreciation	<u>(622,240)</u>	<u>(32,811)</u>	<u>-</u>	<u>(655,051)</u>
Business-Type Activities Capital Assets, Net	<u>1,042,014</u>	<u>(32,811)</u>	<u>-</u>	<u>1,009,203</u>
Primary Government Capital Assets, net	<u>12,464,599</u>	<u>(602,127)</u>	<u>-</u>	<u>11,862,472</u>

Depreciation expense was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	63,005	Public Safety	6,367
Public Safety	32,980	Judicial	26,444
Highways, Streets and Bridges	475,896		
Financial	20,052		
Judicial	80,033		
	<u>671,966</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, 2013:

	Original Amount	Interest Rate	Payable at 10/1/12	Additions (Reductions)	Payable at 9/30/2013	Due within One Year
Note Payable--caterpillar motorgrader R&B #2	200,025	3.00%	159,871	(10,967)	148,904	148,904
Note Payable--caterpillar motorgrader R&B #2	160,000	3.00%	41,755	(15,600)	26,155	26,155
Note Payable--2010 Mack truck R&B #2	95,000	3.00%	60,200	(17,200)	43,000	43,000
Note Payable--2010 Mack truck R&B #4	95,000	3.00%	60,200	(17,200)	43,000	43,000
Note Payable--Boom Axe cutter R&B#2	10,660	3.00%	-	10,660	9,460	9,460
				(1,200)		
			<u>322,026</u>	<u>(51,507)</u>	<u>270,519</u>	<u>270,519</u>

The Counties long-term debt as of September 30, 2013, 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, 2014	148,904
(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, 2014	26,155
(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, 2014	43,000
(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, 2014	43,000
(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, 2014	9,460
	<u>270,519</u>

The annual requirements to amortize notes payable as of September 30, 2013, follows:

Years Ending	Principal	Interest	Total
9/30			
2014	270,519	7,141	277,660
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
	<u>270,519</u>	<u>7,141</u>	<u>277,660</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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 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 8.71% for the months of the accounting year in 2012, and 8.80% for the months of the accounting year in 2013.

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, 2013 the annual pension cost for the TCDRS plan for its employees was \$169,404, and the actual contributions were \$169,404.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010, December 31, 2011, the basis for determining contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/10	12/31/11	12/31/12
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	10 yr smoothed value Fund value
Actuarial Assumptions:			
Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
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
9/30/11	158,033	100%	-0-
9/30/12	162,622	100%	-0-
9/30/13	169,404	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)
12/31/10	4,682,673	5,025,129	342,456	93.19%	1,981,174	17.29%
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%

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 2013, 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>9/30/12</u>	<u>9/30/13</u>
84,968	71,971

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, 2013.

N. LITIGATION

The County has no pending litigation at September 30, 2013.

O. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2013.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Law Library	Drug Fund	Court House Security	Indigent Health Care
ASSETS				
Cash and Cash Equivalents	\$ 25,581	\$ 70,283	\$ 35,086	\$ 153,721
Receivables, net of allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 25,581</u>	<u>\$ 70,283</u>	<u>\$ 35,086</u>	<u>\$ 153,721</u>
LIABILITIES				
Accounts Payable	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reported in Special Revenue Funds	25,581	70,283	35,086	153,721
Total Fund Balances	<u>25,581</u>	<u>70,283</u>	<u>35,086</u>	<u>153,721</u>
Total Liabilities and Fund Balances	<u>\$ 25,581</u>	<u>\$ 70,283</u>	<u>\$ 35,086</u>	<u>\$ 153,721</u>

EXHIBIT F-1

Book Preservation	Record Management	Right of Way	Juvenile Probation	Juvenile Probation Comm. Correct	Diversionary Placement	Title IV-E	Bail Bonds
\$ 46,031	\$ 17,400	\$ 53,975	\$ 37,723	\$ 11,902	\$ (2,360)	\$ 66,866	\$ 13,665
-	-	-	-	-	2,360	-	-
<u>\$ 46,031</u>	<u>\$ 17,400</u>	<u>\$ 53,975</u>	<u>\$ 37,723</u>	<u>\$ 11,902</u>	<u>\$ -</u>	<u>\$ 66,866</u>	<u>\$ 13,665</u>
\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -
-	-	-	-	11,902	-	58,422	-
-	-	-	1,500	11,902	-	58,422	-
46,031	17,400	53,975	36,223	-	-	8,444	13,665
46,031	17,400	53,975	36,223	-	-	8,444	13,665
<u>\$ 46,031</u>	<u>\$ 17,400</u>	<u>\$ 53,975</u>	<u>\$ 37,723</u>	<u>\$ 11,902</u>	<u>\$ -</u>	<u>\$ 66,866</u>	<u>\$ 13,665</u>

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Hot Check Fee	Co. Attny. Drug Forfeiture	Co. Attny Welfare Fraud	Sheriff's Office Comm. Serv. Prog.
ASSETS				
Cash and Cash Equivalents	\$ 22,213	\$ 30,131	\$ 1,143	\$ 452
Receivables, net of allowance for uncollectibles	-	-	-	-
Total Assets	<u>\$ 22,213</u>	<u>\$ 30,131</u>	<u>\$ 1,143</u>	<u>\$ 452</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reported in Special Revenue Funds	22,213	30,131	1,143	452
Total Fund Balances	<u>22,213</u>	<u>30,131</u>	<u>1,143</u>	<u>452</u>
Total Liabilities and Fund Balances	<u>\$ 22,213</u>	<u>\$ 30,131</u>	<u>\$ 1,143</u>	<u>\$ 452</u>

Economic Development	Crime Stoppers	Revolving Loan	PHIC Grant	Home Grant	VSRP Fees	County Clerk Archive Fees	Adult Probation -CCP
\$ 1,978	\$ -	\$ 98,713	\$ 7,500	\$ -	\$ 3,246	\$ 68,535	\$ -
-	-	-	-	-	-	-	-
<u>\$ 1,978</u>	<u>\$ -</u>	<u>\$ 98,713</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 3,246</u>	<u>\$ 68,535</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	7,500	-	-	-	-
1,978	-	98,713	-	-	3,246	68,535	-
1,978	-	98,713	-	-	3,246	68,535	-
<u>\$ 1,978</u>	<u>\$ -</u>	<u>\$ 98,713</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 3,246</u>	<u>\$ 68,535</u>	<u>\$ -</u>

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

EXHIBIT F-1

	Adult Probation	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 763,784
Receivables, net of allowance for uncollectibles	-	2,360
Total Assets	<u>\$ -</u>	<u>\$ 766,144</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 9,000
Unearned Revenues	-	70,324
Total Liabilities	<u>-</u>	<u>79,324</u>
FUND BALANCES		
Reported in Special Revenue Funds	-	686,820
Total Fund Balances	<u>-</u>	<u>686,820</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 766,144</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Law Library	Drug Fund	Court House Security	Indigent Health Care
REVENUES:				
Taxes:				
Taxes	\$ -	\$ -	\$ -	\$ 245,789
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	6,055	-	-	-
Fines	-	14,311	9,032	-
Other Revenue	42	2,696	50	267
Total Revenues	<u>6,097</u>	<u>17,007</u>	<u>9,082</u>	<u>246,056</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	6,350	-	-	-
Public Facilities	-	-	1,249	-
Public Safety	-	14,734	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	203,045
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	15,000	-	-
Total Expenditures	<u>6,350</u>	<u>29,734</u>	<u>1,249</u>	<u>203,045</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(253)</u>	<u>(12,727)</u>	<u>7,833</u>	<u>43,011</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	(253)	(12,727)	7,833	43,011
Fund Balance - October 1 (Beginning)	<u>25,834</u>	<u>83,010</u>	<u>27,253</u>	<u>110,710</u>
Fund Balance - September 30 (Ending)	<u>\$ 25,581</u>	<u>\$ 70,283</u>	<u>\$ 35,086</u>	<u>\$ 153,721</u>

Book Preservation	Record Management	Right of Way	Juvenile Probation	Juvenile Probation Comm. Correct	Diversionary Placement	Title IV-E	Bail Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3,850	133,522	16,943	17	-
13,774	2,182	-	-	-	-	-	-
-	-	-	-	-	-	-	-
67	78	321	161	-	-	-	23
13,841	2,260	321	4,011	133,522	16,943	17	23
17,980	4,470	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	15,481	133,522	16,943	17	-
-	-	-	-	-	-	-	-
-	-	5,535	-	-	-	-	-
-	-	-	-	-	-	-	-
17,980	4,470	5,535	15,481	133,522	16,943	17	-
(4,139)	(2,210)	(5,214)	(11,470)	-	-	-	23
-	-	-	16,596	-	-	-	-
-	-	-	16,596	-	-	-	-
(4,139)	(2,210)	(5,214)	5,126	-	-	-	23
50,170	19,610	59,189	31,097	-	-	8,444	13,642
\$ 46,031	\$ 17,400	\$ 53,975	\$ 36,223	\$ -	\$ -	\$ 8,444	\$ 13,665

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Hot Check Fee	Co. Attny. Drug Forfeiture	Co. Attny Welfare Fraud	Sheriff's Office Comm. Serv. Prog.
REVENUES:				
Taxes:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	3,982	-	-	-
Fines	-	2,359	-	-
Other Revenue	37	138	2	1
Total Revenues	4,019	2,497	2	1
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	4,047	19,498	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	4,047	19,498	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28)	(17,001)	2	1
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(28)	(17,001)	2	1
Fund Balance - October 1 (Beginning)	22,241	47,132	1,141	451
Fund Balance - September 30 (Ending)	\$ 22,213	\$ 30,131	\$ 1,143	\$ 452

Economic Development	Crime Stoppers	Revolving Loan	PHIC Grant	Home Grant	VSRP Fees	County Clerk Archive Fees	Adult Probation -CCP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	71,428	27,988	-	-	22,218
-	-	-	-	-	-	-	-
-	617	-	-	-	721	22,036	-
-	-	198	-	-	8	105	-
-	617	198	71,428	27,988	729	22,141	22,218
-	-	-	-	-	2,481	11,862	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	767	-	-	-	-	-	22,218
-	-	-	-	27,988	-	-	-
-	-	-	71,428	-	-	-	-
-	-	-	-	-	-	-	-
-	767	-	71,428	27,988	2,481	11,862	22,218
-	(150)	198	-	-	(1,752)	10,279	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(150)	198	-	-	(1,752)	10,279	-
1,978	150	98,515	-	-	4,998	58,256	-
\$ 1,978	\$ -	\$ 98,713	\$ -	\$ -	\$ 3,246	\$ 68,535	\$ -

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Adult Probation	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Taxes	\$ -	\$ 245,789
Intergovernmental Revenue and Grants	69,735	345,701
Charges for Services	-	25,993
Fines	59,110	108,186
Other Revenue	86	4,280
Total Revenues	<u>128,931</u>	<u>729,949</u>
EXPENDITURES:		
Current:		
General Government	-	36,793
Legal	-	29,895
Public Facilities	-	1,249
Public Safety	155,344	359,026
Intergovernmental	-	27,988
Health & Welfare	-	274,473
Roads & Streets	-	5,535
Capital Outlay:		
Capital Outlay	-	15,000
Total Expenditures	<u>155,344</u>	<u>749,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,413)</u>	<u>(20,010)</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	-	16,596
Total Other Financing Sources (Uses)	<u>-</u>	<u>16,596</u>
Net Change in Fund Balance	(26,413)	(3,414)
Fund Balance - October 1 (Beginning)	<u>26,413</u>	<u>690,234</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 686,820</u>

FIDUCIARY FUNDS

Red River County, Texas
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUND
As of September 30, 2013

	State Trust	Arrest Fees	Law Enforcement	Total
ASSETS				
Cash and cash equivalents	254,679	92,386	9,520	356,585
Total Assets	<u>254,679</u>	<u>92,386</u>	<u>9,520</u>	<u>356,585</u>
LIABILITIES				
Due to other governments	<u>254,679</u>	<u>92,386</u>	<u>9,520</u>	<u>356,585</u>

FEDERAL AWARDS SECTION



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

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 Lanny G. Walker, C.P.A., P.F.S.
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 Melissa J. Godfrey, C.P.A.
 Amy E. Smith, C.P.A.

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 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, 2013, 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 8, 2014.

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 8, 2014

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Red River County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED September 30, 2013

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: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

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, 2013

N/A

Red River County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2013

N/A

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2013

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDA
 CFDA# 14.239, Project #1001625, Contract Period: 5/7/12-5/6/14

	Budget	Federal		Total
		Prior Year	Current Year	
REVENUE				
Federal	382,500	-	27,988	27,988
EXPENSES				
Community development	375,000	-	27,988	27,988
Administration	7,500	-	-	-
TOTAL EXPENSES	382,500	-	27,988	27,988
EXCESS REVENUE OVER EXPENSES	-	-	-	-