

ANNUAL FINANCIAL REPORT

Liberty County, Texas

Fiscal Year Ended
September 30, 2014

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Liberty County, Texas

TABLE OF CONTENTS

For the Year Ended September 30, 2014

| <u>FINANCIAL SECTION</u> | <u>Page</u> |
|--|--------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 5 |
| <u>BASIC FINANCIAL STATEMENTS</u> | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 19 |
| Statement of Activities | 20 |
| Governmental Funds Financial Statements | |
| Balance Sheet | 22 |
| Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 29 |
| Proprietary Fund Financial Statements | |
| Statement of Net Position | 30 |
| Statement of Revenues, Expenses, and Changes in Net Position | 31 |
| Statement of Cash Flows | 33 |
| Fiduciary Funds Financial Statements | |
| Statement of Fiduciary Net Assets–Agency Funds | 35 |
| Notes to Financial Statements | 37 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual – General Fund | 62 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual – Road and Bridge | 65 |
| Schedule of Funding Progress – Texas County and District Retirement System | 66 |
| Schedule of Funding Progress – Post Employment Healthcare Benefits | 67 |

| | |
|--|----|
| Combining Balance Sheet – Nonmajor Governmental Funds | 74 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 82 |
| Combining Statement of Fiduciary Net Position – Agency Funds | 90 |

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Members of the Commissioners' Court
Liberty County, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BrooksCardiel, PLLC". The signature is fluid and cursive, with "Brooks" on the first line, "Cardiel," on the second line, and "PLLC" on the third line.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
July 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

As management of Liberty County (the “County”), we offer readers of the County’s financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities (net position) at September 30, 2014 by \$8,485,460.
- The County's total net position decreased by \$4,252,954. The majority of the County's net position is net investment in capital assets and restricted for specific purposes. The decrease is primarily related to depreciation and net pension obligation related to the County's Other Post Employee Benefits (“OPEB”) liabilities.
- The County's governmental funds reported combined ending fund balances of \$18,307,943 at September 30, 2014 and a decrease of \$747,717 from the prior fiscal year; this includes decreases of \$349,774 in the general fund, \$160,766 in the nonmajor governmental funds and a decrease of \$272,902 in the road and bridge fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$9,673,718 or 35% of total general fund expenditures.
- The County's outstanding bonds payable decreased by \$1,685,000 or 1% of the County's total debt outstanding at the beginning of the fiscal year. Total bonds payable at the close of the fiscal year were \$15,875,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, and culture and recreation. The County does not have any business-type activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The County maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, capital projects fund and the CDBG fund, which are considered to be major funds. Data from the other thirty-two governmental funds are combined into a single aggregated presentation. Individual fund data for

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general and road and bridge funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary fund. The *Agency Funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and OPEB benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on OPEB.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities by \$8,485,460 at the close of the most recent fiscal year.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

The largest portion of the County's net position, \$11,203,844, reflects its investments in capital assets (e.g., land, building, machinery, equipment, infrastructure, etc.), less any debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | Governmental Activities | |
|----------------------------------|--------------------------------|----------------------|
| | 2014 | 2013 |
| Assets: | | |
| Current and other assets | \$ 22,879,600 | \$ 23,243,921 |
| Capital assets, net | 23,893,638 | 25,614,239 |
| Total Assets | 46,773,238 | 48,858,160 |
| Deferred Outflows of Resources | 891,618 | 980,780 |
| Liabilities: | | |
| Current liabilities | 6,265,516 | 5,684,275 |
| Long-term liabilities | 32,913,880 | 31,416,251 |
| Total Liabilities | 39,179,396 | 37,100,526 |
| Net Position: | | |
| Net investment in capital assets | 11,203,844 | 11,098,180 |
| Restricted | 3,571,629 | 3,892,679 |
| Unrestricted | (6,290,013) | (2,252,445) |
| Total Net Position | \$ 8,485,460 | \$ 12,738,414 |

The County's net position decreased to \$8,485,460 from \$12,738,414. The decrease is primarily due to depreciation and net pension obligation expense related to the County's OPEB liabilities. The County's investment in capital assets remained consistent when compared to the prior year. Current liabilities increased by \$581,241 due to a non-recurring payables and current debt payments due next year.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Statement of Activities

The following table provides a summary of the County's changes in net position for the years ended September 30:

| | Governmental Activities | |
|------------------------------------|--------------------------------|----------------------|
| | 2014 | 2013 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 5,651,883 | \$ 5,664,531 |
| Operating grants and contributions | 5,554,120 | 4,198,777 |
| General revenues: | | |
| Property taxes | 25,976,539 | 25,299,517 |
| Sales taxes | 3,824,221 | 3,379,066 |
| Other taxes | 55,631 | 43,609 |
| Investment income | 199,822 | 185,899 |
| Other revenues | 528,246 | 557,223 |
| Total Revenues | 41,790,462 | 39,328,622 |
| Expenses | | |
| General government | 10,304,267 | 8,292,661 |
| Judicial | 5,085,688 | 4,982,454 |
| Legal | 2,043,603 | 2,051,096 |
| Financial | 2,723,467 | 2,287,746 |
| Public safety | 14,584,155 | 13,210,355 |
| Health and welfare | 1,017,475 | 1,098,235 |
| Public transportation | 8,476,627 | 8,977,022 |
| Other | 1,258,109 | 1,061,262 |
| Interest and fiscal agent fees | | |
| on long-term debt | 550,025 | 645,136 |
| Total Expenses | 46,043,416 | 42,605,967 |
| Change in Net Position | (4,252,954) | (3,277,345) |
| Beginning net position | 12,738,414 | 16,015,759 |
| Ending Net Position | \$ 8,485,460 | \$ 12,738,414 |

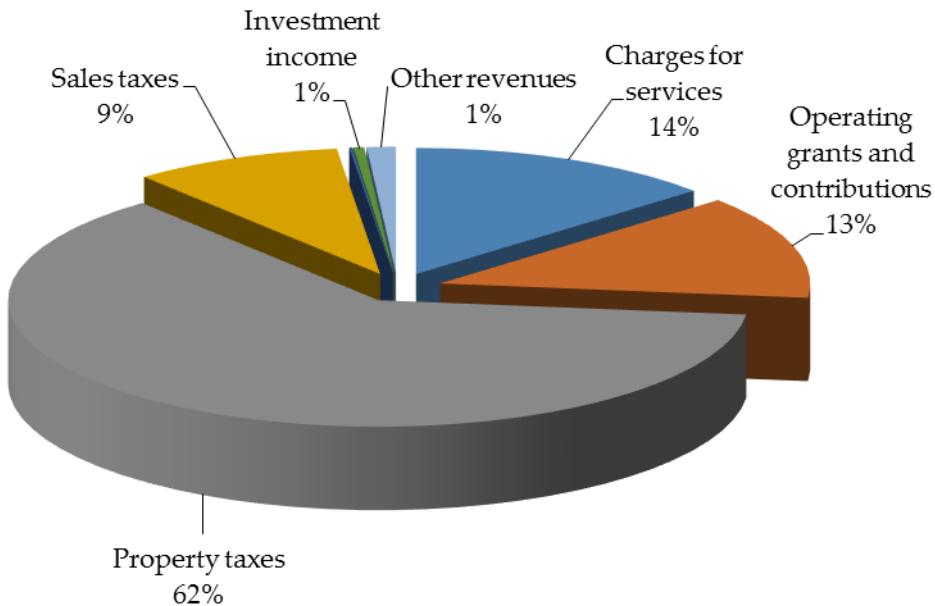
Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

Graphic presentations of selected data from the summary tables are included to assist in the analysis of the County's activities.

Governmental Revenues



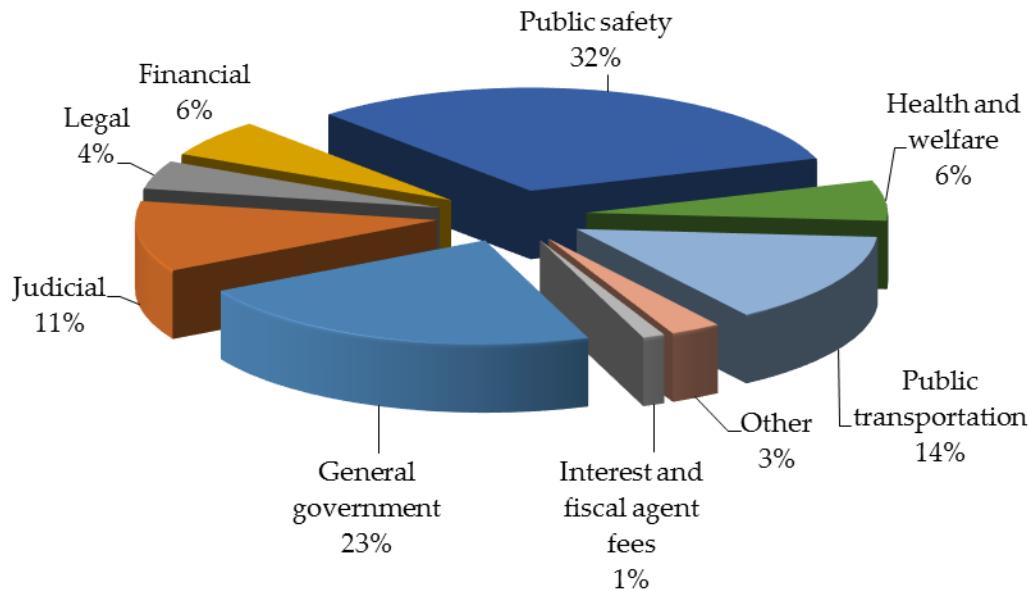
Total governmental revenues increased by 6% or \$2,461,840, from the prior year. This increase is primarily the result of an increase in grant revenue of \$1,355,343. The most significant grant is the community development block grant for disaster assistance. Property taxes also increased by \$677,022 when compared to the prior year due to an increase in the property tax rate. Sales tax increased \$445,155 or 13% due to an overall recovery in the local economy.

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

Governmental Expenses



Governmental expenses have increased by \$3,437,449 or 20% from the prior year. This includes an increase in general government expenditures of \$2,011,606, which is directly related to increased grant related expenditures. Public transportation increased by \$1,373,800 due to increased spending on repairs and maintenance. All other expenses remained relatively stable when compared to the prior year.

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's governing body.

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

The County's governmental funds reflect a combined fund balance of \$18,307,943. Of this, \$9,669,404 is unassigned and available for day-to-day operations of the County, \$3,571,629 is restricted for special revenue fund expenditures and \$3,279,965 is restricted for capital projects. The County has nonspendable funds of \$188,331 that consists of prepaid insurance. The County has committed fund balance is \$1,598,614 in the road and bridge fund.

There was a decrease in the combined fund balance of \$747,717 from the prior year. Included in the decrease is a decrease of \$349,774 in the general fund, \$272,902 in the road and bridge fund, and \$160,766 in the nonmajor governmental funds. The County had budgeted for a deficit in the current year due to excess reserves in fund balance. At the end of the fiscal year, unassigned fund balance for the general fund was \$9,673,718 or 35% of total general fund expenditures.

General Fund Budgetary Highlights

- Actual general fund revenues were over final budgeted revenues by \$971,813 during the year.
- General fund expenditures were under the final budget by \$529,833.

Capital Assets

At the end of the year, the County's governmental activities funds had invested \$23,893,638 in a variety of capital assets and infrastructure, net of depreciation.

Major capital asset events during the current year include the following:

- Purchase of 11 Sheriff Vehicles for \$408,727
- Purchase of Emulsion Storage Tank for \$37,314
- Purchase of two John Deere Tractors for \$125,993 and \$113,009

More detailed information about the County's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At the end of the year, the County reported total long-term debt of \$35,548,629.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements. Current ratings on debt issues are as follows:

All of the County's bond issues have been successful in qualifying for bond insurance resulting in ratings of "BAA" and "AAA" by Moody's and Standard & Poor's, respectively.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Economic Factors

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities. The County has continued to solidify the infrastructure of the County by investing in roads and bridges within the County.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Harold Seay, CPA, County Auditor's Office, Liberty County, Texas, 1923 Sam Houston, Liberty, Texas 77575.

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FINANCIAL STATEMENTS

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Liberty County, Texas
STATEMENT OF NET POSITION
September 30, 2014

| | Governmental Activities |
|--|---|
| <u>Assets</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 17,520,882 |
| Receivables, net | 2,618,554 |
| Due from other governments | 2,322,264 |
| Due from others | 130,200 |
| Prepaid items | 188,331 |
| Total Current Assets | 22,780,231 |
| Non-Current Assets: | |
| Other assets | 99,369 |
| Nondepreciable capital assets | 2,611,889 |
| Capital assets (net of accumulated depreciation) | 21,281,749 |
| Total Non-Current Assets | 23,993,007 |
| | Total Assets |
| | 46,773,238 |
| <u>Deferred Outflows of Resources</u> | |
| Deferred charge on refunding | 891,618 |
| | Total Deferred Outflows of Resources |
| | 891,618 |
| <u>Liabilities</u> | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities | 3,184,506 |
| Due to other governments | 63,278 |
| Due to others | 304,546 |
| Accrued interest payable | 78,437 |
| Long-term liabilities due within one year | 2,634,749 |
| Total Current Liabilities | 6,265,516 |
| Non-Current Liabilities: | |
| Long-term liabilities due in more than one year | 32,913,880 |
| | Total Liabilities |
| | 39,179,396 |
| <u>Net Position</u> | |
| Net investment in capital assets | 11,203,844 |
| Restricted | 3,571,629 |
| Unrestricted | (6,290,013) |
| | Total Net Position |
| | \$ 8,485,460 |

See Notes to Financial Statements.

Liberty County, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|----------------------|--------------|---------------------|
| | | Charges for Services | Operating | |
| | | | Grants and | Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 10,304,267 | \$ 250,525 | \$ 4,855,790 | |
| Judicial | 5,085,688 | 566,856 | | 31,412 |
| Legal | 2,043,603 | 236,877 | | 379,020 |
| Financial | 2,723,467 | - | | - |
| Public safety | 14,584,155 | 2,351,620 | | 186,861 |
| Health and welfare | 1,017,475 | - | | 42,679 |
| Public transportation | 8,476,627 | 1,869,293 | | 58,358 |
| Other | 1,258,109 | 376,712 | | - |
| Interest and fiscal agent fees on long-term debt | 550,025 | - | | - |
| Total Governmental Activities | 46,043,416 | 5,651,883 | | 5,554,120 |
| Total Primary Government | \$ 46,043,416 | \$ 5,651,883 | | \$ 5,554,120 |

General Revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Other revenues

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

**Net (Expense)
Revenue and
Changes in Net
Position**
Governmental
Activities

| | |
|----|--------------|
| \$ | (5,197,952) |
| | (4,487,420) |
| | (1,427,706) |
| | (2,723,467) |
| | (12,045,674) |
| | (974,796) |
| | (6,548,976) |
| | (881,397) |
| | <hr/> |
| | (550,025) |
| | <hr/> |
| | (34,837,413) |
| | <hr/> |
| | (34,837,413) |

| |
|------------|
| 25,976,539 |
| 3,824,221 |
| 55,631 |
| 199,822 |
| 528,246 |
| <hr/> |
| 30,584,459 |

(4,252,954)

12,738,414

\$ 8,485,460

Liberty County, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

| | General | Road and Bridge | Capital Projects |
|--|----------------------|------------------------|-------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 7,152,125 | \$ 1,949,157 | \$ 3,276,618 |
| Receivables, net | 1,774,412 | 570,781 | - |
| Due from other governments | 928,429 | 77,361 | - |
| Due from others | 33,982 | 3,985 | - |
| Due from other funds | 2,594,148 | - | - |
| Prepaid items | 188,331 | - | - |
| Other assets | 99,369 | - | - |
| Total Assets | \$ 12,770,796 | \$ 2,601,284 | \$ 3,276,618 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 996,057 | \$ 431,889 | \$ - |
| Due to other governments | 63,278 | - | - |
| Due to others | - | - | - |
| Due to other funds | - | - | - |
| Total Liabilities | 1,059,335 | 431,889 | - |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 1,849,412 | 570,781 | - |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Prepaid items | 188,331 | - | - |
| Restricted: | | | |
| Capital projects | - | - | 3,276,618 |
| Special revenue funds | - | - | - |
| Committed: | | | |
| Road and bridge | - | 1,598,614 | - |
| Unassigned | 9,673,718 | - | - |
| Total Fund Balances | 9,862,049 | 1,598,614 | 3,276,618 |
| Total Liabilities and Fund Balances | \$ 12,770,796 | \$ 2,601,284 | \$ 3,276,618 |

| CDBG | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------|-----------------------------------|--------------------------------|
| \$ 115,806 | \$ 3,884,996 | \$ 16,378,702 |
| - | 273,361 | 2,618,554 |
| 1,246,414 | 70,060 | 2,322,264 |
| 373 | 10,718 | 49,058 |
| - | - | 2,594,148 |
| - | - | 188,331 |
| - | - | 99,369 |
| \$ 1,362,593 | \$ 4,239,135 | \$ 24,250,426 |

| | | |
|---------------------|-------------------|---------------------|
| \$ 1,337,297 | \$ 75,345 | \$ 2,840,588 |
| - | - | 63,278 |
| - | 304,546 | 304,546 |
| 21,949 | 18,568 | 40,517 |
| \$ 1,359,246 | \$ 398,459 | \$ 3,248,929 |

| | | |
|----------|----------------|------------------|
| <u>-</u> | <u>273,361</u> | <u>2,693,554</u> |
|----------|----------------|------------------|

| | | |
|---------------------|---------------------|----------------------|
| <u>-</u> | <u>-</u> | <u>188,331</u> |
| 3,347 | - | 3,279,965 |
| - | 3,571,629 | 3,571,629 |
| - | - | 1,598,614 |
| - | (4,314) | 9,669,404 |
| 3,347 | 3,567,315 | 18,307,943 |
| \$ 1,362,593 | \$ 4,239,135 | \$ 24,250,426 |

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Liberty County, Texas

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS**
September 30, 2014

| | | |
|---|----|------------|
| Fund Balances - Total Governmental Funds | \$ | 18,307,943 |
|---|----|------------|

Adjustments for the Statement of Net Position:

SRF 23ital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.

| | |
|----------------------------------|--------------|
| Nondepreciable SRF 23ital assets | 2,611,889 |
| Depreciable SRF 23ital assets | 61,650,213 |
| Accumulated depreciation | (40,368,464) |

The internal service fund is used to charge the costs of self-insurance activities to the appropriate the functions in the other funds and, therefore, are not reported in the governmental funds.

(1,674,227)

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.

| | |
|--------------------------------------|-----------|
| Unavailable revenue - property taxes | 2,693,554 |
|--------------------------------------|-----------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|-----------------------------|--------------|
| Accrued interest payable | (78,437) |
| Bonds and SRF 23ital leases | (16,492,400) |

Deferred charges:

| | |
|----------------------|--------------|
| Premium | (365,630) |
| On refunding | 891,618 |
| OPEB liability | (18,108,010) |
| Compensated absences | (582,589) |

Net Position of Governmental Activities

\$ 8,485,460

See Notes to Financial Statements.

Liberty County, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

| | General | Road and Bridge | Capital Projects |
|--|---------------------|------------------------|-------------------------|
| <u>Revenues</u> | | | |
| Property taxes | \$ 18,240,190 | \$ 5,548,208 | \$ - |
| Sales taxes | 3,824,221 | - | - |
| Other taxes | 55,631 | - | - |
| Licenses and permits | 376,712 | - | - |
| Fines and forfeitures | 2,325,085 | 1,518,891 | - |
| Charges for services | 386,171 | - | - |
| Intergovernmental revenue | 629,797 | 58,358 | - |
| Investment income | 156,051 | - | 24,526 |
| Other revenue | 222,685 | 262,077 | - |
| Total Revenues | 26,216,543 | 7,387,534 | 24,526 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| General government | 4,274,610 | - | - |
| Judicial | 4,300,031 | - | - |
| Legal | 1,805,096 | - | - |
| Financial | 2,446,173 | - | - |
| Public safety | 12,591,289 | - | - |
| Health and welfare | 930,392 | - | - |
| Public transportation | - | 5,887,332 | - |
| Other | 647,937 | 502,493 | - |
| Capital Outlay | 523,789 | 565,365 | - |
| Debt Service: | | | |
| Principal | - | 422,590 | - |
| Interest and fiscal charges | - | 25,461 | - |
| Total Expenditures | 27,519,317 | 7,403,241 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,302,774) | (15,707) | 24,526 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | 985,000 | - | - |
| Transfers (out) | (32,000) | (500,000) | - |
| Capital lease issuance | - | 242,805 | - |
| Total Other Financing Sources (Uses) | 953,000 | (257,195) | - |
| Net Change in Fund Balances | (349,774) | (272,902) | 24,526 |
| Beginning fund balances | 10,211,823 | 1,871,516 | 3,252,092 |
| Ending Fund Balances | \$ 9,862,049 | \$ 1,598,614 | \$ 3,276,618 |

See Notes to Financial Statements.

| CDBG | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------|-----------------------------------|--------------------------------|
| \$ - | \$ 2,047,526 | \$ 25,835,924 |
| - | - | 3,824,221 |
| - | - | 55,631 |
| - | - | 376,712 |
| - | 954,090 | 4,798,066 |
| - | 90,934 | 477,105 |
| 4,048,310 | 817,655 | 5,554,120 |
| - | 9,503 | 190,080 |
| - | 43,484 | 528,246 |
| <u>4,048,310</u> | <u>3,963,192</u> | <u>41,640,105</u> |
| 4,037,111 | 120,098 | 8,431,819 |
| - | 263,241 | 4,563,272 |
| - | 63,601 | 1,868,697 |
| - | - | 2,446,173 |
| - | 418,478 | 13,009,767 |
| - | - | 930,392 |
| - | 138,152 | 6,025,484 |
| - | - | 1,150,430 |
| - | 512,311 | 1,601,465 |
| - 1,685,000 | 2,107,590 | |
| - 470,077 | <u>495,538</u> | |
| <u>4,037,111</u> | <u>3,670,958</u> | <u>42,630,627</u> |
| 11,199 | 292,234 | (990,522) |
| - 32,000 | 1,017,000 | |
| - (485,000) | (1,017,000) | |
| - - | <u>242,805</u> | |
| <u>- (453,000)</u> | <u>242,805</u> | |
| 11,199 | (160,766) | (747,717) |
| <u>(7,852)</u> | <u>3,728,081</u> | <u>19,055,660</u> |
| <u>\$ 3,347</u> | <u>\$ 3,567,315</u> | <u>\$ 18,307,943</u> |

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Liberty County, Texas
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2014

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

| | |
|---|--------------|
| Net changes in fund balances - total government funds | \$ (747,717) |
|---|--------------|

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

| | |
|----------------------|-------------|
| Capital outlay | 958,261 |
| Depreciation expense | (2,827,556) |

The County uses internal service funds to charge the costs of certain activities, such as self-insurance, to the appropriate functions in other funds. The net income (loss) of internal service funds is reported within governmental activities

| | |
|--|-----------|
| | (108,110) |
|--|-----------|

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

| | |
|--------------------------------------|---------|
| Unavailable revenue - property taxes | 140,615 |
|--------------------------------------|---------|

Bonds and note proceeds provide current financial resources to governmental funds, while the repayment of debt decreases long-term liabilities in the statement of net position.

| | |
|--|-----------|
| Capital lease issued | (242,805) |
| Principal payments | 2,107,590 |
| Amortization of bond premiums and discount | 26,116 |
| Deferred charge on refunding | (89,162) |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting, the net change in compensated absences and OPEB liabilities.

| | |
|--|-----------------------|
| Accrued interest payable | 8,559 |
| Compensated absences | (97,094) |
| Other Post Employment Benefits | (3,381,651) |
| Change in Net Position of Governmental Activities | \$ (4,252,954) |

See Notes to Financial Statements.

Liberty County, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014

| | Governmental Activities |
|---------------------------|------------------------------------|
| | <u>Internal Service</u> |
| Assets | |
| Cash and cash equivalents | \$ 1,142,180 |
| Due from others | 81,142 |
| | Total Assets |
| | \$ 1,223,322 |
| Liabilities | |
| Accounts payable | \$ 343,918 |
| Due to other funds | 2,553,631 |
| | Total Liabilities |
| | 2,897,549 |
| Net Position | |
| Unrestricted | (1,674,227) |
| | Total Net Position |
| | \$ (1,674,227) |

See Notes to Financial Statements.

Liberty County, Texas

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND**
For the Year Ended September 30, 2014

| | Governmental Activities | Internal Service |
|--|-----------------------------|------------------|
| <u>Operating Revenues</u> | | |
| County and employee contributions | \$ 5,022,970 | |
| | Total Operating Revenues | 5,022,970 |
| <u>Operating Expenses</u> | | |
| Claims, premiums, and administrative costs | 5,140,823 | |
| | Total Operating Expenses | 5,140,823 |
| | Operating (Loss) | (117,853) |
| <u>Nonoperating Revenues</u> | | |
| Investment income | 9,742 | |
| | Total Nonoperating Revenues | 9,742 |
| | Change in Net Position | (108,111) |
| Beginning net position | (1,566,116) | |
| | Ending Net Position | \$ (1,674,227) |

See Notes to Financial Statements.

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Liberty County, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2014

| | Governmental Activities | Internal Service |
|--|--|---------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Receipts from County and employee contributions | \$ 4,943,747 | |
| Payments for claims, premiums, and administrative costs | (5,174,868) | |
| Net Cash (Used for) Operating Activities | (231,121) | |
| <u>Cash Flows from Investing Activities</u> | | |
| Interest on investments | 9,742 | |
| Net Cash Provided by Investing Activities | 9,742 | |
| | Net (Decrease) in Cash and Cash Equivalents | (221,379) |
| Beginning cash and cash equivalents | 1,363,559 | |
| Ending Cash and Cash Equivalents | \$ 1,142,180 | |
| <u>Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities</u> | | |
| Operating (loss) | \$ (117,853) | |
| Changes in Operating Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Due from others | (79,223) | |
| Increase (Decrease) in: | | |
| Accounts payable | (87,676) | |
| Due to other funds | 53,631 | |
| Net Cash (Used for) Operating Activities | \$ (231,121) | |

See Notes to Financial Statements.

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Liberty County, Texas
STATEMENT OF FIDUCIARY OF NET POSITION
AGENCY FUNDS
September 30, 2014

| | Total Agency Funds |
|---------------------------|-------------------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | \$ 6,341,916 |
| Due from others | 4,114 |
| Due from other Funds | 18,362 |
| Total Assets | \$ 6,364,392 |
| <u>Liabilities</u> | |
| Accounts payable | 6,181 |
| Due to others | 5,803,735 |
| Due to other governments | 188,820 |
| Due to other funds | 365,656 |
| Total Liabilities | \$ 6,364,392 |

See Notes to Financial Statements.

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Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Liberty County, Texas, is an independent government entity created in 1836 by an act of the Texas Legislature. The County is governed by Commissioners' Court, composed of four County Commissioners and the County Judge, all of which are elected officials.

The County's financial statements include the accounts of all County operations. The County provides a vast array of services including general government, judicial, legal, financial, public safety, health and welfare, and public transportation services.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Liberty County Juvenile Probation Department

The Liberty County Juvenile Probation Department is a legally separate entity from the County but is so closely related to the County that it is, in essence, an extension of the County. This entity is considered a blended component unit for reporting purposes. The financial data of this unit is combined with that of the County since the unit is, in substance, part of the County's operations. The financial statements of the unit are separately audited as of their fiscal year end (August 31) to meet the reporting requirements of their major funding source (the State of Texas). Audited financial statements for the blended component unit can be obtained by contacting the Liberty County Auditor, 1923 Sam Houston, Liberty, Texas 77575.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued **For the Year Ended September 30, 2014**

B. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reported the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *road & bridge fund* is used to account for revenues of property taxes levied and vehicle registration fees for the road & bridge fund. Uses of funds are restricted for the maintenance of roads, bridges, and the operations of related facilities. All precinct operations as well as permanent road monies are accounted for in this fund.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

The *CDBG fund* is used to account for and report financial resources that are received from the Department of Housing and Urban Development for community development projects.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

Additionally, the government reports the following fund types:

Internal service fund accounts for revenues and expenses related to the County's medical and dental self-insurance program in accordance with Chapter 172 of the Texas Government Code. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's ongoing operations. Revenues are derived from County contributions, employee and retiree COBRA premiums and investment of idle funds. Expenses are for claims, premiums, and administrative costs. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the County.

The *agency funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement focus and basis of accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

The County utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, other taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

Investments for the government are reported at fair value (generally based on quoted market prices.) Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The Local Government Code of Texas authorizes the County to invest in:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

- (3) collateral mortgage obligations although significantly limited;
- (4) other obligations, the principal and interest on which are unconditionally guaranteed or insured or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- (5) obligations of state, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- (6) certificates of deposit issued by state and national banks or savings and loan domiciled in Texas which are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (b) secured by obligations of paragraphs (1) to (5) above and that have a market value of not less than the principal amount of the certificates but excluding certain mortgage-backed securities;
 - (c) fully collateralized repurchase agreements, bankers' acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools all of which are required to meet certain restrictive criteria.

3. *Receivables and Interfund Transactions*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements.

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives.

| Asset Description | Estimated Useful Lives |
|--------------------------|-----------------------------------|
| Infrastructure | 40 to 50 years |
| Vehicles | 5 to 8 years |
| Furniture and fixtures | 3 to 10 years |
| Buildings & improvements | 30 years |
| Machinery & equipment | 5-10 years |

5. Inventories and prepaid items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2014

any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Commissioners' Court is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body has by resolution authorized the county auditor to assign fund balance. The court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. *Compensated absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued* **For the Year Ended September 30, 2014**

It is the County's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the County's governmental funds recognize accrued compensated absences when it is paid.

11. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

12. *Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued **For the Year Ended September 30, 2014**

F. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On February 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to year end were not considered material.

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.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2014

premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners' Court prior to the beginning of the year. The legal level of control is the department level for all funds. Management may not amend the budget without the approval of Commissioners' Court.

Budgets are adopted for the general and most special revenue funds. Budgets are adopted on a GAAP basis for all budget funds except for the capital projects fund, which adopts a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2014.

A. Expenditures Exceeding Appropriations

For the year ended September 30, 2014, expenditures exceeded appropriations for the following major funds and departments:

| | |
|-----------------------|----------|
| General fund: | |
| General Government | \$15,541 |
| Road and Bridge fund: | |
| Principal Payments | \$14,994 |

B. Deficit Fund Balances

The following special revenue fund had a deficit fund balance as of September 30, 2014.

| | |
|-----------------------------------|---------|
| Law Library | \$3,915 |
| Child Crimes Special Investigator | \$399 |

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest rate risk - In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk - State law and the County's investment policy limits investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2014, market values of pledged securities and FDIC insurance exceeded bank balances.

B. Receivables

The following comprise receivable balances at year end:

| | Road and | | | | |
|----------------------------|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | General | Bridge | CDBG | Nonmajor | Total |
| Taxes receivable | \$ 5,763,932 | \$ 1,792,566 | \$ - | \$ 713,407 | \$ 8,269,905 |
| Due from other governments | 928,429 | 77,361 | 1,246,414 | 70,060 | 2,322,264 |
| Other receivables | 33,982 | 3,985 | 373 | 10,718 | 49,058 |
| Less allowance | <u>(3,989,520)</u> | <u>(1,221,785)</u> | <u>-</u> | <u>(440,046)</u> | <u>(5,651,351)</u> |
| | <u><u>\$ 2,736,823</u></u> | <u><u>\$ 652,127</u></u> | <u><u>\$ 1,246,787</u></u> | <u><u>\$ 354,139</u></u> | <u><u>\$ 4,989,876</u></u> |

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2014, follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|--|-------------------------------|------------------------------|---|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,571,889 | \$ 40,000 | \$ - | \$ 2,611,889 |
| Total capital assets not being depreciated | <u>2,571,889</u> | <u>40,000</u> | <u>-</u> | <u>2,611,889</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 15,900,926 | - | - | 15,900,926 |
| Furniture, machinery, and equipment | 15,758,715 | 918,261 | (258,024) | 16,418,952 |
| Infrastructure | <u>29,330,335</u> | <u>-</u> | <u>-</u> | <u>29,330,335</u> |
| Total capital assets being depreciated | <u>60,989,976</u> | <u>918,261</u> | <u>(258,024)</u> | <u>61,650,213</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 11,740,830 | 412,558 | - | 12,153,388 |
| Furniture, machinery, and equipment | 11,618,978 | 1,118,351 | (258,024) | 12,479,305 |
| Infrastructure | <u>14,439,123</u> | <u>1,296,647</u> | <u>-</u> | <u>15,735,770</u> |
| Total accumulated depreciation | <u>37,798,932</u> | <u>2,827,556</u> | <u>(258,024)</u> | <u>40,368,464</u> |
| Net capital assets being depreciated | <u>23,191,044</u> | <u>(1,909,295)</u> | <u>-</u> | <u>21,281,749</u> |
| Total Capital Assets | <u>\$ 25,762,933</u> | <u>\$ (1,869,295)</u> | <u>\$ -</u> | <u>\$ 23,893,638</u> |

Depreciation was charged to governmental functions as follows:

| | |
|-----------------------------------|----------------------------|
| General government | \$ 440,044 |
| Judicial | 95,303 |
| Financial | 48,338 |
| Public safety | 356,701 |
| Public transportation | 1,887,170 |
| Total Depreciation Expense | <u>\$ 2,827,556</u> |

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

D. Long-Term Debt

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2014. In general, the County uses the road and bridge and debt service funds to liquidate governmental long-term liabilities.

| | Beginning Balance | | Additions | (Reductions) | Ending Balance | Due Within One Year |
|--|------------------------------|---------------------|-----------------------|----------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | | |
| Bonds payable: | | | | | | |
| Certificates of obligation | \$ 935,000 | \$ - | \$ (25,000) | \$ 910,000 | \$ 25,000 | |
| General obligation refunding bonds | 16,625,000 | - - | (1,660,000) | 14,965,000 | | 1,740,000 |
| Deferred amounts for: | | | | | | |
| Issuance premiums | 391,746 | - - | (26,116) | 365,630 | | - |
| Total Bonds Payable | <u>17,951,746</u> | <u>- -</u> | <u>(1,711,116)</u> | <u>16,240,630</u> | | <u>1,765,000</u> |
| Obligations under capital leases | 797,185 | 242,805 | (422,590) | 617,400 | | 345,419 |
| Compensated absences | 485,495 | 582,589 | (485,495) | 582,589 | | 524,330 |
| Other postemployment benefits | 14,726,360 | 3,381,650 | - - | 18,108,010 | | - |
| Total Governmental Activities | \$ 33,960,786 | \$ 4,207,044 | \$ (2,619,201) | \$ 35,548,629 | \$ 2,634,749 | |
| Long-term liabilities due in greater than one year | | | | <u>\$ 32,913,880</u> | | |

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

A summary of the County's debt service requirements, including interest, is as follows:

| | Percentage Interest Rate | | Original Amount | | Balance |
|-------------------------------------|-------------------------------------|------|----------------------------|----------------------|----------------|
| Certificates of obligation | | | | | |
| Series 2007 | 4.00-4.30% | \$ - | \$ 9,975,000 | \$ - | \$ 910,000 |
| General obligation refunding | | | | | |
| Series 2010A | 2.00-4.00% | \$ - | \$ 10,140,000 | \$ - | \$ 5,235,000 |
| Series 2012 | 1.71% | \$ - | \$ 9,935,000 | \$ - | \$ 9,730,000 |
| | | | Total | \$ 14,965,000 | |
| Capital leases | | | | | |
| | 3.20-7.25% | \$ - | \$ 1,341,106 | \$ - | \$ 617,400 |
| | | | Total | \$ 16,492,400 | |

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

Long-term debt obligations of the County as of September 30, 2014, are as follows:

| Year ending September 30, | General Obligation Bonds | | Certificates of Obligation | |
|------------------------------|--------------------------|---------------------|----------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 1,740,000 | \$ 375,783 | \$ 25,000 | \$ 36,400 |
| 2016 | 380,000 | 309,504 | 885,000 | 35,400 |
| 2017 | 1,335,000 | 297,968 | - | - |
| 2018 | 1,360,000 | 269,987 | - | - |
| 2019 | 1,390,000 | 241,349 | - | - |
| 2020 | 1,420,000 | 211,970 | - | - |
| 2021 | 1,455,000 | 181,848 | - | - |
| 2022 | 1,490,000 | 150,899 | - | - |
| 2023 | 1,520,000 | 119,008 | - | - |
| 2024 | 1,550,000 | 86,375 | - | - |
| 2025 | 310,000 | 53,000 | - | - |
| 2026 | 325,000 | 40,600 | - | - |
| 2027 | 335,000 | 27,600 | - | - |
| 2028 | 355,000 | 14,200 | - | - |
| Total | \$ 14,965,000 | \$ 2,380,089 | \$ 910,000 | \$ 71,800 |

| Year ending September 30, | Capital Leases | | |
|------------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2015 | \$ 345,419 | \$ 21,031 | \$ 366,450 |
| 2016 | 151,465 | 9,154 | 160,619 |
| 2017 | 82,808 | 3,885 | 86,694 |
| 2018 | 37,708 | 1,221 | 38,930 |
| Total | \$ 617,400 | \$ 35,292 | \$ 652,693 |

The book value of machinery and equipment acquired under current capital lease obligations was a total of \$1,341,106.

The County is not obligated in any manner for special assessment debt.

E. Advance Refunding

During the 2013 fiscal year, the government issued \$9,935,000 in general obligation refunding bonds with an interest rate of 1.71%. The proceeds were used to advance refund \$8,766,000 of outstanding 2007 certificates of obligation which had interest rates ranging from 4% to 4.3%. As part of the refunding, the County contributed \$144,000 toward the outstanding principal of the refunded debt. The net proceeds of \$9,802,351 (after payment of \$132,649 in underwriting fees

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2007 certificates of obligation are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,069,942. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2007 certificates of obligation to reduce its total debt service payments over 12 years by \$731,816 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$666,528.

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2012 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. The original balance totaled \$1,069,942. The current year end balance totaled \$891,618 after current year amortization expense of \$89,162.

G. Interfund Transactions

Operating transfers between the primary government funds during the 2014 year were as follows:

| Funds | Transfer in | Transfer out |
|------------------------|---------------------|---------------------|
| General: | \$ 985,000 | \$ - |
| Road and Bridge | - | 500,000 |
| Nonmajor Governmental | - | 485,000 |
| Nonmajor governmental: | 32,000 | - |
| General | - | 32,000 |
| | <u>\$ 1,017,000</u> | <u>\$ 1,017,000</u> |

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

| Funds | Due from | Due to |
|-----------------------|---------------------|---------------------|
| General: | \$ 2,594,148 | \$ - |
| Nonmajor Governmental | - | 40,117 |
| Internal Service | - | 2,553,631 |
| | <u>\$ 2,594,148</u> | <u>\$ 2,593,748</u> |

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2014

V. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the County carries commercial insurance. In addition, the County participates along with 338 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. The Texas Association of Counties created this pool in 1974 to insure the County for worker compensation related claims. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The County reports liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payout and other economic and social factors. The liability for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2014.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County entered into the Facility Operation and Management Agreement with Community Education Centers, Inc. (the "Operator") for operation, management, and maintenance (subject to certain limitations) of the County's jail facility. In May 2014, the contract automatically renewed for one year. Over the term of the contract, the daily rate paid to the operator for County and non-County inmates will range from \$44.75 to \$71.12, depending on the inmate population. During the year, the County paid \$4,992,544 for housing County and non-County inmates.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2014

The County has various operating agreements for office space, equipment, and services. Most agreements are for terms of one year or less or contain "funding clauses" enabling the County to cancel such agreements with nominal notice.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations.

D. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County.

E. Health Care

The County maintains a self-insured health plan (the "Plan") for all eligible employees and retirees. The County contributed approximately \$4.9 million to the Plan to subsidize employee premiums during the year ended September 30, 2014. Employees are responsible for premiums for dependents. Health claim payments include the premiums for dependents' health insurance processed by a third party (Cigna Healthcare Insurance Company) acting on behalf of the County.

Claims incurred are subject to annual specific deductible of \$150,000 and a maximum aggregate benefit of \$1,000,000. Employee health claims are self-insured by the County up to

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

these annual limits and stop-loss benefits are provided by Cigna Healthcare Insurance Company.

At year end, the County has recorded current health claim liabilities of \$343,918 in the internal service fund. These liabilities are based on requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the balances of claims liabilities during the last two years ended September 30, are as follows:

| | 2014 | 2013 |
|-----------------------|-------------------|-------------------|
| Beginning balance | \$ 431,594 | \$ 411,535 |
| Claims incurred | 5,087,192 | 4,964,064 |
| Claims paid | (5,174,868) | (4,944,005) |
| Ending Balance | \$ 343,918 | \$ 431,594 |

F. Other Post Employee Benefits

Plan Description

The County administers a single-employer defined benefit Other Post Employment Benefits (OPEB) plan, known as the County Health Insurance Benefits (the "Program"). The Program offers medical, dental, and vision insurance benefits to eligible retirees and their spouses as well as life insurance for retirees only. Employees who retire in accordance with the provisions of the TCDRS are covered as employees under the group health and related benefits program at the time of retirement, and are vested with the County are eligible to receive County health insurance benefits.

The employee's responsibility for the premium depends on whether they retired on or before December 31, 1996 or after as follows:

Retirement on or before December 31, 1996

The retiree pays the entire premium for retiree medical, prescription drug, dental, and vision coverage as well as coverage for eligible dependents. The County does not pay any portion of this premium.

Retirement on or after January 1, 1997

The County pays 100 percent of the premium for retiree medical, prescription drug, dental, vision, and life insurance coverage. Retirees must pay the entire premium for coverage of eligible dependents. Life insurance is not available for dependents of retirees.

Dependent coverage ends upon the cessation of premium payments.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

Funding Policy

The County has elected to subsidize premiums for the plan and funding is provided on a pay-as-you-go basis.

Annual OPEB Cost

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of the year, the amount actually contributed to the plan, and the County's net OPEB obligation.

| | |
|--|-----------------------------|
| Annual required contribution | \$ 4,412,541 |
| Interest on OPEB obligation | 441,790 |
| Adjustment to annual required contribution | (740,305) |
| Annual OPEB cost expense | <u>4,114,026</u> |
| Contributions made | <u>732,376</u> |
| Change in net OPEB obligation | <u>3,381,650</u> |
| Net OPEB Obligation-beginning of year | <u>14,726,360</u> |
| Net OPEB Obligation-end of year | <u><u>\$ 18,108,010</u></u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the program, and the net OPEB obligation for 2014 and the two preceding years are as follows:

| Fiscal year | Annual OPEB Cost (ARC) | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation | |
|------------------------|-----------------------------------|---|----------------------------|---------------|
| | | | Beginning | Ending |
| 2012 | \$ 3,596,334 | 18.65% | \$ - | \$ 11,405,922 |
| 2013 | \$ 4,052,814 | 18.07% | \$ 11,405,922 | \$ 14,726,360 |
| 2014 | \$ 4,114,027 | 17.08% | \$ 14,726,360 | \$ 18,108,010 |

Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the Program was 0.00 percent funded. The actuarial accrued liability for benefits was \$35,240,230, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,240,230.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2014

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The following is a summary of the actuarial assumptions:

| | |
|--|-----------------------|
| Actuarial Cost Method | Projected unit credit |
| Amortization Method | Level dollar |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | N/A |
| Investment Rate of Return | 3.00% |
| Healthcare Cost Trend Rate (Initial/Ultimate) | 13.0%/5.0% |

G. Pension Plans

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 nontraditional defined benefit pension plans. TCDRS in

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2014

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 Commissioners' Court within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ACDR) 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 County contributed using the actuarially determined rate of 15.7% for the months of the accounting year in 2013 and 17.12% for the months of the accounting year in 2014.

The Commissioners' Court adopted the rate of 7% as the contribution rate payable by the employee members for calendar year 2014. The Commissioners' Court may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

Annual Pension Costs

The County's schedule of funding information can be found in the Required Supplemental Information section of this report.

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.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

27 parameters based on the actuarial valuations as of December 31, 2011, and December 31, 2012, the basis for determining the contribution rates for plan years 2013 and 2014.

| | |
|-------------------------------|--------------------------|
| Actuarial Cost Method | Entry Age |
| Amoritization Method | Level Percent of Payroll |
| Remaining Amortization Period | 20 Years - Closed Period |
| Asset Valuation Method | 10-yr smoothed value |
| | ESF: Fund value |
| Investment Rate of Return | 9% |
| Projected Salary Increases | 5.4% |
| Includes Inflation at | 3.5% |
| Cost of Living Adjustments | None |

| | 2014 | 2013 | 2012 |
|-------------------------------------|----------------|----------------|----------------|
| Annual Req. Contribution (ARC) | \$ 2,171,362 | \$ 1,939,980 | \$ 1,866,414 |
| Contributions made | \$ (2,171,362) | \$ (1,939,980) | \$ (1,866,414) |
| NPO at the End of the Period | \$ - | \$ - | \$ - |

The funded status as of December 31, 2013, the most recent valuation date, is as follows:

| | 2014 |
|---|-------------|
| Actuarial Valuation Date | 12/31/2013 |
| Actuarial Value of Assets | 34,386,223 |
| Actuarial Accrued Liability | 45,737,732 |
| Percentage Funded | 75% |
| Unfunded Actuarial Accrued Liability (UAAL) | 11,351,509 |
| Annual Covered Payroll | 12,588,986 |
| UAAL as a Percentage of Covered Payroll | 90% |

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

H. Restatement

The County has restated beginning fund balance/net position within governmental activities and a nonmajor governmental fund due to a change in the reporting of accruals. The restatement of beginning net position/fund balance is as follows:

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2014

| | Governmental Activities | Nonmajor Governmental |
|--|------------------------------------|----------------------------------|
| Prior year ending net position fund balance as reported | \$ 12,843,299 | \$ 3,868,923 |
| Correction of error - accounts payable | - | (148,694) |
| Correction of error - compensated absences | (104,885) | - |
| Restated beginning net position/fund balance | <u>\$ 12,738,414</u> | <u>\$ 3,720,229</u> |

I. Subsequent Events

There were no material subsequent events through July 30, 2015, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Liberty County, Texas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
For the Year Ended September 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget | |
|----------------------------|-------------------|-------------------|-------------------|-------------------------------|------------------------|
| | Original | | Actual Amounts | | Positive (Negative) |
| | | | | | |
| Revenues | | | | | |
| Property taxes | \$ 17,555,396 | \$ 17,963,396 | \$ 18,240,190 | \$ 276,794 | |
| Sales taxes | 3,374,486 | 3,374,486 | 3,824,221 | 449,735 | |
| Other taxes | 37,000 | 37,000 | 55,631 | 18,631 | |
| Licenses and permits | 225,000 | 362,000 | 376,712 | 14,712 | |
| Fines and forfeitures | 2,079,000 | 2,149,000 | 2,325,085 | 176,085 | |
| Charges for services | 260,000 | 397,200 | 386,171 | (11,029) | |
| Intergovernmental revenue | 569,020 | 627,462 | 629,797 | 2,335 | |
| Investment income | 150,000 | 150,000 | 156,051 | 6,051 | |
| Other revenue | 173,200 | 184,186 | 222,685 | 38,499 | |
| Total Revenues | 24,423,102 | 25,244,730 | 26,216,543 | 971,813 | |
| Expenditures | | | | | |
| General government: | | | | | |
| Commissioners' court | 436,791 | 418,901 | 409,232 | 9,669 | |
| County clerk | 873,940 | 888,035 | 852,966 | 35,069 | |
| Veterans services | 155,183 | 155,183 | 147,152 | 8,031 | |
| General administration | 2,088,400 | 2,013,212 | 2,098,533 | (85,321) | |
| Building maintenance | 429,941 | 459,589 | 442,673 | 16,916 | |
| Employee benefits | 545,000 | 324,149 | 324,054 | 95 | |
| | 4,529,255 | 4,259,069 | 4,274,610 | (15,541) * | |
| Judicial: | | | | | |
| County judge | 402,351 | 404,451 | 395,569 | 8,882 | |
| Justice courts | 1,032,919 | 1,064,296 | 1,058,866 | 5,430 | |
| County court at law | 645,225 | 657,225 | 652,447 | 4,778 | |
| District clerk | 569,500 | 575,420 | 567,606 | 7,814 | |
| District judges | 1,207,341 | 1,260,139 | 1,157,228 | 102,911 | |
| Court costs | 499,000 | 505,250 | 468,315 | 36,935 | |
| | 4,356,336 | 4,466,781 | 4,300,031 | 166,750 | |
| Legal: | | | | | |
| County attorney | 675,797 | 679,322 | 673,899 | 5,423 | |
| District attorney | 1,169,644 | 1,169,644 | 1,131,197 | 38,447 | |
| | 1,845,441 | 1,848,966 | 1,805,096 | 43,870 | |
| Financial: | | | | | |
| County auditor | 371,826 | 394,262 | 394,141 | 121 | |
| County treasurer | 297,269 | 299,279 | 298,004 | 1,275 | |
| Tax assessor-collector | 694,336 | 735,511 | 734,258 | 1,253 | |
| Data processing | 324,000 | 327,500 | 325,330 | 2,170 | |
| Central appraisal district | 725,725 | 695,725 | 694,440 | 1,285 | |
| | 2,413,156 | 2,452,277 | 2,446,173 | 6,104 | |

LIBERTY COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
For the Year Ended September 30, 2014

| | | | | |
|--|------------------------------|------------------------------|----------------------------|----------------------------|
| Public safety: | | | | |
| Sheriff | 5,334,075 | 5,502,731 | 5,408,790 | 93,941 |
| Juvenile probation | 317,779 | 323,879 | 308,368 | 15,511 |
| Jail operations | 3,960,000 | 4,992,700 | 4,992,544 | 156 |
| Constables | 1,264,352 | 1,323,672 | 1,279,235 | 44,437 |
| Fire marshall | 300,160 | 410,290 | 401,395 | 8,895 |
| Emergency management | 261,824 | 202,799 | 200,957 | 1,842 |
| | <u>11,438,190</u> | <u>12,756,071</u> | <u>12,591,289</u> | <u>164,782</u> |
| Health and welfare: | | | | |
| Public welfare | 499,000 | 584,000 | 570,434 | 13,566 |
| Indigent services | 616,461 | 423,961 | 359,958 | 64,003 |
| | <u>1,115,461</u> | <u>1,007,961</u> | <u>930,392</u> | <u>77,569</u> |
| Other: | | | | |
| Extension service | 279,336 | 286,361 | 280,498 | 5,863 |
| Engineering and permits | 228,447 | 228,447 | 225,709 | 2,738 |
| Special projects | 436,000 | 195,415 | 141,730 | 53,685 |
| Capital outlay | 617,900 | 547,802 | 523,789 | 24,013 |
| | <u>1,561,683</u> | <u>1,258,025</u> | <u>1,171,726</u> | <u>86,299</u> |
| Total Expenditures | <u>27,259,522</u> | <u>28,049,150</u> | <u>27,519,317</u> | <u>529,833</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(2,836,420)</u> | <u>(2,804,420)</u> | <u>(1,302,774)</u> | <u>1,501,646</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | 985,000 | 985,000 | 985,000 | - |
| Transfers (out) | - | (32,000) | (32,000) | - |
| Total | <u>985,000</u> | <u>953,000</u> | <u>953,000</u> | <u>-</u> |
| Net Change in Fund Balance | \$ <u>(1,851,420)</u> | \$ <u>(1,851,420)</u> | (349,774) | \$ <u>1,501,646</u> |
| Beginning fund balance | | | 10,211,823 | |
| Ending Fund Balance | | | \$ <u>9,862,049</u> | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

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Liberty County, Texas
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 5,374,234 | \$ 5,374,234 | \$ 5,548,208 | \$ 173,974 |
| Fines and forfeitures | 1,610,000 | 1,610,000 | 1,518,891 | (91,109) |
| Intergovernmental revenue | 56,500 | 56,500 | 58,358 | 1,858 |
| Other revenue | 122,457 | 243,565 | 262,077 | 18,512 |
| Total Revenues | 7,163,191 | 7,284,299 | 7,387,534 | 103,235 |
| Expenditures | | | | |
| Public transportation: | | | | |
| Precinct No. 1 | 1,495,585 | 1,611,778 | 1,568,815 | 42,963 |
| Precinct No. 2 | 2,430,940 | 2,664,392 | 2,416,975 | 247,417 |
| Precinct No. 3 | 1,020,446 | 1,104,760 | 910,261 | 194,499 |
| Precinct No. 4 | 1,561,774 | 1,729,147 | 1,556,646 | 172,501 |
| | 6,508,745 | 7,110,077 | 6,452,697 | 657,380 |
| Other: | | | | |
| Landfill and solid waste | 1,207,100 | 606,819 | 502,493 | 104,326 |
| | 1,207,100 | 606,819 | 502,493 | 104,326 |
| Debt service: | | | | |
| Principal | 287,539 | 407,596 | 422,590 | (14,994) * |
| Interest | 25,461 | 25,461 | 25,461 | - |
| | 313,000 | 433,057 | 448,051 | (14,994) |
| Total Expenditures | 8,028,845 | 8,149,953 | 7,403,241 | 746,712 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (865,654) | (865,654) | (15,707) | 849,947 |
| Other Financing Sources (Uses) | | | | |
| Transfers (out) | (500,000) | (500,000) | (500,000) | - |
| Capital lease issuance | 242,805 | 242,805 | 242,805 | - |
| Total | (257,195) | (257,195) | (257,195) | - |
| Net Change in Fund Balance | \$ (1,122,849) | \$ (1,122,849) | (272,902) | \$ 849,947 |
| Beginning fund balance | | | 1,871,516 | |
| Ending Fund Balance | | | \$ 1,598,614 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

Liberty County, Texas
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

The County's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the County makes all of the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the County's Schedule of Funding Progress.

| Fiscal Year | 2014 | 2013 | 2012 |
|--------------------------------------|---------------|---------------|---------------|
| | 12/31/2013 | 12/31/2012 | 12/31/2011 |
| Actuarial Valuation Date | \$ 34,386,223 | \$ 33,011,510 | \$ 33,039,295 |
| Actuarial Value of Assets | \$ 45,737,732 | \$ 44,660,263 | \$ 43,705,953 |
| Actuarial Accrued Liability | | | |
| Percentage Funded | 75.2% | 73.9% | 75.6% |
| Unfunded Actuarial | | | |
| Accrued Liability | \$ 11,351,509 | \$ 11,648,753 | \$ 10,666,658 |
| Annual Covered Payroll | \$ 12,588,986 | \$ 12,413,235 | \$ 12,536,753 |
| Unfunded Actuarial Accrued Liability | | | |
| (UAAL) % of Covered Payroll | 90.2% | 93.8% | 85.1% |
| Net Pension Obligation (NPO) | | | |
| at the Beginning of Period | \$ - | \$ - | \$ - |
| Annual Req. Contrib. (ARC) | \$ 2,171,362 | \$ 1,939,980 | \$ 1,866,414 |
| Contributions Made | \$ 2,171,362 | \$ 1,939,980 | \$ 1,866,414 |
| NPO at the End of Period | \$ - | \$ - | \$ - |

Liberty County, Texas
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS

| Actuarial Valuation | Actuarial Accrued Liability | | | Unfunded AAL | | Annual Funded Ratio | UAAL as a Percentage of Covered Payroll |
|---------------------|-----------------------------|---------------|---------------|--------------|---------------|---------------------|---|
| | Actuarial Value of Assets | Entry Age | (AAL) | (AAL) | a/b | | |
| Date | a | b | (b-a) | | | | |
| 10/1/2008 | \$ - | \$ 24,876,324 | \$ 24,876,324 | 0% | N/A | N/A | |
| 10/1/2010 | \$ - | \$ 29,027,347 | \$ 29,027,347 | 0% | \$ 10,485,551 | 277% | |
| 10/1/2012 | \$ - | \$ 35,240,230 | \$ 35,240,230 | 0% | \$ 10,510,280 | 335% | |

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***COMBINING STATEMENTS
AND SCHEDULES***

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Liberty County, Texas

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

September 30, 2014

SPECIAL REVENUE FUNDS

Land Acquisition Fund - The Land Acquisition fund accounts for special vehicle registration fees designated for the acquisition of right-of-way for road expansion.

Courthouse Security Fund - The Courthouse Security fund accounts for court filing fees designated for security services for buildings housing a District or County court.

Law Library Fund - The Law Library fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in County and District Courts.

Juvenile Probation Fund - The Juvenile Probation fund accounts for revenues received from the Texas Juvenile Probation Commission under an agreement to provide juvenile offenders with a program of rehabilitation. Funds are restricted for this purpose.

DARE Fund - The DARE fund accounts for revenues received from the surrounding community to support work with children to increase drug awareness and resistance. Funds are restricted for this purpose.

Commissary Fund - The Commissary fund accounts for revenues received from commissary activities in the County jail.

CDBG Hull Fresh Water Fund - The CDBG Hull Fresh Water fund accounts for revenues received from the Texas Department of Agriculture to construct water line improvements.

Homeland Security Fund - The Homeland Security fund accounts for revenues received from the Texas Engineering Extension Service to purchase equipment for the prevention of and response to potential terrorist acts.

Commissioners' Court Records Management Fund - The Commissioners' Court Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the Commissioners' Court.

District Attorney Federal Forfeiture Fund - The District Attorney Federal Forfeiture fund accounts for federally forfeited property received from the U.S. Department of Justice.

District Attorney Fund - The District Attorney fund accounts for revenues received from the State of Texas and fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expenses of the District attorney's office.

District Attorney Programs Fund - The District Attorney Programs fund accounts for revenues received from the State of Texas. Fees deposited in this fund are used to cover expenses for special investigation, welfare fraud, and crime prevention.

Liberty County, Texas

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

September 30, 2014

SPECIAL REVENUE FUNDS (continued)

District Clerk TDCJ Fund - The District Clerk TDCJ fund accounts for revenues received from Texas Department of Criminal Justice (TDCJ), designated for the use of a District clerk in a County in which a state prison facility is located.

District Clerk Child Support Fund - The District Clerk Child Support fund accounts for reimbursements received from the Office of the Attorney General for processing child support payments sent to the County as part of the Cooperative Agreement for Title IV, Part D of the Federal Social Security act (IV-D) child support enforcement program. The purpose of this program is to provide the County child support register with a mechanism for supporting and improving the IV-D child support case services provided by the County.

District Clerk Records Management Fund - The District Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the District Clerk.

County Attorney Check Collections Fund - The County Attorney Check Collections fund accounts for fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expense of the County Attorney's Office.

County Constable Seizures Fund - The County Constable Seizures fund accounts for drug seizure funds from drug related arrests. Funds are restricted for law enforcement purposes.

County Sheriff Programs Fund - The County Sheriff Programs fund accounts for revenues received by the Sheriffs office for participation in the seizure of property during criminal investigation. Funds are restricted for law enforcement purposes.

JP Technology Fund - The JP Technology fund accounts for technology fees collected as a cost of court from defendants convicted of misdemeanor offenses. The fund may be used only to finance the purchase of technological enhancements and is administered by the Commissioners' Court.

CSCD Civil Fees Fund - The CSCD Civil Fees fund accounts for revenues received for supervising misdemeanor and felony offenders.

CDBG Disaster Recovery Fund - The CDBG Disaster Recovery fund accounts for Community Development Block Grant revenues received for disaster recovery relief.

County Clerk Records Management Fund - The County Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the County Clerk.

Pre-trial Diversion Fee - The Pre-trial Diversion Fee fund accounts for fees collected for the pre-trial diversion program of the County Attorney's office.

Liberty County, Texas

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

September 30, 2014

SPECIAL REVENUE FUNDS (continued)

Child Crimes Special Investigator Fund - The Child Crimes Special Investigator fund accounts for revenue received from the state used for salaries and other costs associated with the Child Crimes unit.

TDHCA Home Program Fund - The TDHCA Home Program fund is for the purchase of homes that have become condemned or abandoned.

COPS Grant Fund - The COPS Grant fund accounts for revenues received from the Texas Department of Public Safety.

County and District Court Technology Fund - The County and District Court Technology fund accounts for services provided by the County and District Clerk.

County Record Preservation Fund - The County Record Preservation fund is used to account for preservation services provided by the District Clerk.

FEMA Grant Fund - The FEMA Grant fund accounts for revenues received from the Federal Emergency Management Agency.

TDHCA Grant Fund - The TDHCA grant fund is used to account for revenues and expenditures received for the Texas Department of Housing and Community Affairs grant.

Elections Service Contract - The Elections Service Contract accounts for revenues related to county election.

DEBT SERVICE FUND

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of long-term liabilities (principal, interest, and other related costs).

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 4)
September 30, 2014

Special Revenue Funds

| | Land Acquisition | Courthouse Security | Law Library | Juvenile Probation |
|---|---------------------|------------------------|-----------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,293,480 | \$ 89,903 | \$ 1,899 | \$ 64,255 |
| Receivables, net | - | - | - | - |
| Due from other governments | 24,090 | 608 | 210 | - |
| Due from others | - | 170 | - | - |
| Total Assets | \$ 1,317,570 | \$ 90,681 | \$ 2,109 | \$ 64,255 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 4,354 | \$ - | \$ 6,024 | \$ 51,435 |
| Due to others | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | 4,354 | - | 6,024 | 51,435 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | - | - | - |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Community development | 1,313,216 | - | - | - |
| Public safety | - | 90,681 | - | 12,820 |
| Judicial | - | - | - | - |
| Records management | - | - | - | - |
| Debt service | - | - | - | - |
| Unassigned | - | - | (3,915) | - |
| Total Fund Balances | 1,313,216 | 90,681 | (3,915) | 12,820 |
| Total Liabilities and Fund Balances | \$ 1,317,570 | \$ 90,681 | \$ 2,109 | \$ 64,255 |

Special Revenue Funds

| DARE | Commissary | CDBG Hull Fresh Water District | Homeland Security | Commissioners' Court Records Management | District Attorney Federal Forfeiture |
|------------------|-------------------|---|------------------------------|--|---|
| \$ 10,670 | \$ 57,840 | \$ - | \$ 25,447 | \$ 310,753 | \$ 26,384 |
| - | - | - | - | - | - |
| - | - | - | - | 114 | - |
| - | - | - | - | - | - |
| \$ 10,670 | \$ 57,840 | \$ - | \$ 25,447 | \$ 310,867 | \$ 26,384 |
| <hr/> | | | | | |
| \$ 696 | \$ - | \$ - | \$ - | \$ 970 | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 696 | - | - | - | 970 | - |
| <hr/> | | | | | |
| - | - | - | - | - | - |
| 9,974 | 57,840 | - | 25,447 | - | 26,384 |
| - | - | - | - | - | - |
| - | - | - | - | 309,897 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 9,974 | 57,840 | - | 25,447 | 309,897 | 26,384 |
| \$ 10,670 | \$ 57,840 | \$ - | \$ 25,447 | \$ 310,867 | \$ 26,384 |

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 4)
September 30, 2014

Special Revenue Funds

| | District Attorney | District Attorney Programs | District Clerk TDCJ | District Clerk Child Support |
|---|-------------------|----------------------------|---------------------|------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 46,864 | \$ 402,349 | \$ 20,140 | \$ 47,020 |
| Receivables, net | - | - | - | - |
| Due from other governments | - | - | - | 3,993 |
| Due from others | - | - | - | - |
| Total Assets | \$ 46,864 | \$ 402,349 | \$ 20,140 | \$ 51,013 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 3,391 | \$ - | \$ - |
| Due to others | 19,358 | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | 19,358 | 3,391 | - | - |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | - | - | - |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Community development | - | - | - | - |
| Public safety | - | - | - | - |
| Judicial | 27,506 | 398,958 | 20,140 | 51,013 |
| Records management | - | - | - | - |
| Debt service | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 27,506 | 398,958 | 20,140 | 51,013 |
| Total Liabilities and Fund Balances | \$ 46,864 | \$ 402,349 | \$ 20,140 | \$ 51,013 |

Special Revenue Funds

| District Clerk Records Management | County Attorney Check Collections | County Constable Seizures | County Sheriff Programs | JP Technology | CSCD Civil Fee |
|--|--|--|------------------------------------|--------------------------|-----------------------|
| \$ 30,148 | \$ 27,004 | \$ 49,061 | \$ 308,616 | \$ 150,390 | \$ 46,341 |
| - | - | - | - | - | - |
| 104 | - | - | - | 307 | - |
| - | 527 | - | 2,612 | 175 | 3,314 |
| \$ 30,252 | \$ 27,531 | \$ 49,061 | \$ 311,228 | \$ 150,872 | \$ 49,655 |
| | | | | | |
| \$ 155 | \$ 82 | \$ 6,246 | \$ 125 | \$ 1,105 | \$ - |
| - | - | 19,175 | 266,013 | - | - |
| - | - | - | - | - | - |
| 155 | 82 | 25,421 | 266,138 | 1,105 | - |
| | | | | | |
| - | - | - | - | - | - |
| | | | | | |
| - | - | 23,640 | 45,090 | 149,767 | 49,655 |
| - | - | - | - | - | - |
| 30,097 | 27,449 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 30,097 | 27,449 | 23,640 | 45,090 | 149,767 | 49,655 |
| \$ 30,252 | \$ 27,531 | \$ 49,061 | \$ 311,228 | \$ 150,872 | \$ 49,655 |

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 4)
September 30, 2014

Special Revenue Funds

| | CDBG Disaster Recovery | County Clerk Records Management | Pre-trial Diversion | Child Crimes Special Investigator |
|---|------------------------------|---------------------------------------|------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 208,379 | \$ 120,763 | \$ - |
| Receivables, net | - | - | - | - |
| Due from other governments | 18,169 | 2,550 | - | - |
| Due from others | - | - | 3,920 | - |
| Total Assets | \$ 18,169 | \$ 210,929 | \$ 124,683 | \$ - |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 262 | \$ - | \$ - |
| Due to others | - | - | - | - |
| Due to other funds | 18,169 | - | - | 399 |
| Total Liabilities | 18,169 | 262 | - | 399 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | - | - | - |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Community development | - | - | - | - |
| Public safety | - | - | 124,683 | - |
| Judicial | - | - | - | - |
| Records management | - | 210,667 | - | - |
| Debt service | - | - | - | - |
| Unassigned | - | - | - | (399) |
| Total Fund Balances | - | 210,667 | 124,683 | (399) |
| Total Liabilities and Fund Balances | \$ 18,169 | \$ 210,929 | \$ 124,683 | \$ - |

Special Revenue Funds

| DRS TDRA Grant | | COPS Grant | | County & District Court Tech | | County Record Preservation | | FEMA Grant | TDHCA Grant |
|-------------------|--|------------------|--|------------------------------------|--|-------------------------------|--|------------------|-----------------|
| \$ 20,453 | | \$ 31,045 | | \$ 9,916 | | \$ 47,109 | | \$ 16,541 | \$ 2,250 |
| - | | - | | - | | - | | - | - |
| - | | - | | 9 | | 80 | | - | - |
| - | | - | | - | | - | | - | - |
| \$ 20,453 | | \$ 31,045 | | \$ 9,925 | | \$ 47,189 | | \$ 16,541 | \$ 2,250 |
| <hr/> | | | | | | | | | |
| \$ - | | \$ - | | \$ - | | \$ - | | \$ - | \$ - |
| - | | - | | - | | - | | - | - |
| - | | - | | - | | - | | - | - |
| - | | - | | - | | - | | - | - |
| - | | - | | - | | - | | - | - |
| - | | - | | - | | - | | - | - |
| <hr/> | | | | | | | | | |
| 20,453 | | - | | - | | - | | 16,541 | 2,250 |
| - | | 31,045 | | - | | - | | - | - |
| - | | - | | 9,925 | | - | | - | - |
| - | | - | | - | | 47,189 | | - | - |
| - | | - | | - | | - | | - | - |
| - | | - | | - | | - | | - | - |
| \$ 20,453 | | \$ 31,045 | | \$ 9,925 | | \$ 47,189 | | \$ 16,541 | \$ 2,250 |
| \$ 20,453 | | \$ 31,045 | | \$ 9,925 | | \$ 47,189 | | \$ 16,541 | \$ 2,250 |

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 4 of 4)
September 30, 2014

| | Special Revenue Fund | | | Total Nonmajor Governmental Funds |
|---|---|-------------------------|---------------------|--|
| | Elections Service Contract | Debt Service | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 40,001 | \$ 379,975 | \$ 3,884,996 | |
| Receivables, net | - | 273,361 | 273,361 | |
| Due from other governments | - | 19,826 | 70,060 | |
| Due from others | - | - | 10,718 | |
| Total Assets | \$ 40,001 | \$ 673,162 | \$ 4,239,135 | |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 500 | \$ 75,345 | |
| Due to others | - | - | 304,546 | |
| Due to other funds | - | - | 18,568 | |
| Total Liabilities | - | 500 | 398,459 | |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | 273,361 | 273,361 | |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Community development | - | - | 1,352,460 | |
| Public safety | - | - | 647,026 | |
| Judicial | - | - | 507,542 | |
| Records management | 40,001 | - | 665,300 | |
| Debt service | - | 399,301 | 399,301 | |
| Unassigned | - | - | (4,314) | |
| Total Fund Balances | 40,001 | 399,301 | 3,567,315 | |
| Total Liabilities and Fund Balances | \$ 40,001 | \$ 673,162 | \$ 4,239,135 | |

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Liberty County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 4)
For the Year Ended September 30, 2014

Special Revenue Funds

| | Land Acquisition | Courthouse Security | Law Library | Juvenile Probation |
|--|---------------------|------------------------|-------------------|-----------------------|
| Revenues | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | 350,402 | 58,323 | 43,260 | - |
| Charges for services | - | - | - | - |
| Intergovernmental | - | - | - | 368,643 |
| Investment income | - | - | - | 17 |
| Other revenue | 42,310 | - | - | - |
| Total Revenues | 392,712 | 58,323 | 43,260 | 368,660 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Judicial | - | 61,216 | 71,240 | - |
| Legal | - | - | - | - |
| Public safety | - | - | - | 395,541 |
| Public transportation | 138,152 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total Expenditures | 138,152 | 61,216 | 71,240 | 395,541 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | |
| | 254,560 | (2,893) | (27,980) | (26,881) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 32,000 | - |
| Transfers (out) | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | 32,000 | - |
| Net Change in Fund Balances | 254,560 | (2,893) | 4,020 | (26,881) |
| Beginning fund balances | 1,058,656 | 93,574 | (7,935) | 39,701 |
| Ending Fund Balances | \$ 1,313,216 | \$ 90,681 | \$ (3,915) | \$ 12,820 |

Special Revenue Funds

| DARE | Commissary | CDBG Hull Fresh Water District | Homeland Security | Commissioners' Court Records Management | District Attorney Federal Forfeiture |
|-----------------|-------------------|---|------------------------------|--|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 27,168 | 18,000 |
| - | 26,027 | - | - | - | - |
| - | - | 27,801 | 78,560 | - | - |
| - | - | - | - | - | - |
| 1,174 | - | - | - | - | - |
| 1,174 | 26,027 | 27,801 | 78,560 | 27,168 | 18,000 |
| | | | | | |
| - | - | 10,300 | - | 5,611 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,898 | 3,368 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 17,501 | 78,560 | 39,696 | - |
| - | - | - | - | - | - |
| | | | | | |
| 4,898 | 3,368 | 27,801 | 78,560 | 45,307 | - |
| | | | | | |
| (3,724) | 22,659 | - | - | (18,139) | 18,000 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| | | | | | |
| (3,724) | 22,659 | - | - | (18,139) | 18,000 |
| | | | | | |
| 13,698 | 35,181 | - | 25,447 | 328,036 | 8,384 |
| \$ 9,974 | \$ 57,840 | \$ - | \$ 25,447 | \$ 309,897 | \$ 26,384 |

Liberty County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 4)
For the Year Ended September 30, 2014

| | Special Revenue Funds | | | |
|--|-----------------------|----------------------------------|--|---------------------------------------|
| | District Attorney | District Attorney Programs | District Clerk TDCJ | District Clerk Child Support |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u> | <u>Other Financing Sources (Uses)</u> |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | 9,428 | 127,167 | - | - |
| Charges for services | - | - | - | - |
| Intergovernmental | 10,377 | - | - | 31,412 |
| Investment income | - | - | - | - |
| Other revenue | - | - | - | - |
| Total Revenues | 19,805 | 127,167 | - | 31,412 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Judicial | - | - | 5,290 | 44,572 |
| Legal | 21,622 | 31,090 | - | - |
| Public safety | - | - | - | - |
| Public transportation | - | - | - | - |
| Capital outlay | - | 33,235 | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total Expenditures | 21,622 | 64,325 | 5,290 | 44,572 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,817) | 62,842 | (5,290) | (13,160) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | (485,000) |
| Total Other Financing Sources (Uses) | - | - | - | (485,000) |
| Net Change in Fund Balances | (1,817) | 62,842 | (5,290) | (498,160) |
| Beginning fund balances | 29,323 | 336,116 | 25,430 | 549,173 |
| Ending Fund Balances | \$ 27,506 | \$ 398,958 | \$ 20,140 | \$ 51,013 |

Special Revenue Funds

| District Clerk Records Management | County Attorney Check Collections | County Constable Seizures | County Sheriff Programs | JP Technology | CSCD Civil Fee |
|---|--|---------------------------------|----------------------------|-------------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 13,498 | 10,339 | 508 | - | 25,367 | - |
| - | - | - | - | - | 40,237 |
| - | - | - | - | - | - |
| - | - | 188 | - | - | 209 |
| - | - | - | - | - | - |
| 13,498 | 10,339 | 696 | - | 25,367 | 40,446 |
| | | | | | |
| 9,117 | - | - | - | 15,679 | 56,127 |
| - | 10,889 | - | - | - | - |
| - | - | 12,471 | 2,200 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 15,150 | - |
| - | - | - | - | - | - |
| 9,117 | 10,889 | 12,471 | 2,200 | 30,829 | 56,127 |
| | | | | | |
| 4,381 | (550) | (11,775) | (2,200) | (5,462) | (15,681) |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,381 | (550) | (11,775) | (2,200) | (5,462) | (15,681) |
| | | | | | |
| 25,716 | 27,999 | 35,415 | 47,290 | 155,229 | 65,336 |
| \$ 30,097 | \$ 27,449 | \$ 23,640 | \$ 45,090 | \$ 149,767 | \$ 49,655 |

Liberty County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 4)
For the Year Ended September 30, 2014

| Special Revenue Funds | | | | | |
|--|---------------------------------------|--|--------------------------------|--|-----------------|
| | CDBG Disaster Recovery | County Clerk Records Management | Pre-trial Diversion | Child Crimes Special Investigator | |
| Revenues | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | - - | 182,915 | 71,943 | - - | - - |
| Charges for services | - - | - - | - - | - - | - - |
| Intergovernmental | 18,169 | - - | - - | - - | 108,301 |
| Investment income | - - | - - | - - | - - | - - |
| Other revenue | - - | - - | - - | - - | - - |
| Total Revenues | 18,169 | 182,915 | 71,943 | | 108,301 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 18,169 | 7,706 | - - | - - | 78,312 |
| Judicial | - - | - - | - - | - - | - - |
| Legal | - - | - - | - - | - - | - - |
| Public safety | - - | - - | - - | - - | - - |
| Public transportation | - - | - - | - - | - - | - - |
| Capital outlay | - - | 168,352 | - - | - - | 30,388 |
| Debt service: | | | | | |
| Principal | - - | - - | - - | - - | - - |
| Interest | - - | - - | - - | - - | - - |
| Total Expenditures | 18,169 | 176,058 | - - | | 108,700 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - - | 6,857 | 71,943 | | (399) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - - | - - | - - | - - | - - |
| Transfers (out) | - - | - - | - - | - - | - - |
| Total Other Financing Sources (Uses) | - - | - - | - - | | - - |
| Net Change in Fund Balances | - - | 6,857 | 71,943 | | (399) |
| Beginning fund balances | - - | 203,810 | 52,740 | - - | - - |
| Ending Fund Balances | \$ - - | \$ 210,667 | \$ 124,683 | | \$ (399) |

Special Revenue Funds

| DRS TDRA Grant | COPS Grant | County & District Court Tech | | County Record Preservation | FEMA Grant | TDHCA Grant |
|---------------------------|-------------------|---|------------------|---------------------------------------|-------------------|--------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | 2,841 | 12,931 | | |
| | | | - | - | - | - |
| 149,882 | - | - | - | - | 24,510 | - |
| | | | - | - | - | - |
| | | | - | - | - | - |
| 149,882 | - | 2,841 | 12,931 | 24,510 | - | - |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 129,429 | - | - | - | - | - | - |
| | | | - | - | - | - |
| | | | - | - | - | - |
| 129,429 | - | - | - | - | - | - |
| | | | | | | |
| 20,453 | - | 2,841 | 12,931 | 24,510 | - | - |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 20,453 | - | 2,841 | 12,931 | 24,510 | - | - |
| | | | | | | |
| - | 31,045 | 7,084 | 34,258 | (7,969) | 2,250 | |
| \$ 20,453 | \$ 31,045 | \$ 9,925 | \$ 47,189 | \$ 16,541 | \$ 2,250 | |

Liberty County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 4 of 4)
For the Year Ended September 30, 2014

| | Special Revenue Fund | | Total Nonmajor Governmental Funds |
|---------------------------------------|--|------------------|---|
| | Elections Service Contract | Debt Service | |
| Revenues | | | |
| Property taxes | \$ - | \$ 2,047,526 | \$ 2,047,526 |
| Fines and forfeitures | - | - | 954,090 |
| Charges for services | 24,670 | - | 90,934 |
| Intergovernmental | - | - | 817,655 |
| Investment income | - | 9,089 | 9,503 |
| Other revenue | - | - | 43,484 |
| | Total Revenues | 24,670 | 3,963,192 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | 120,098 |
| Judicial | - | - | 263,241 |
| Legal | - | - | 63,601 |
| Public safety | - | - | 418,478 |
| Public transportation | - | - | 138,152 |
| Capital outlay | - | - | 512,311 |
| Debt service: | | | |
| Principal | - | 1,685,000 | 1,685,000 |
| Interest | - | 470,077 | 470,077 |
| | Total Expenditures | - | 3,670,958 |
| | Excess (Deficiency) of Revenues Over (Under) Expenditures | 24,670 | (98,462) |
| | | | 292,234 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | 32,000 |
| Transfers (out) | - | - | (485,000) |
| | Total Other Financing Sources (Uses) | - | (453,000) |
| | Net Change in Fund Balances | 24,670 | (160,766) |
| Beginning fund balances | 15,331 | 497,763 | 3,728,081 |
| | Ending Fund Balances | \$ 40,001 | \$ 399,301 |
| | | | \$ 3,567,315 |

Liberty County, Texas
FIDUCIARY FUND DESCRIPTIONS
AGENCY FUNDS
September 30, 2014

Fine and Bond Fund - The Fine and Bond fund accounts for funds received from inmates for fines and bonds.

Inmate Release Fund - The Inmate Release fund accounts for funds received by or for the benefit of inmates. Funds are used for the inmates' commissary and medical needs.

County Officials Escrow Fund - The County Officials Escrow fund accounts for assets held by the County as agent for other governments, courts or individuals.

State Court Costs Fund - The State Court Costs fund accounts for assets held by the County on behalf of other governments.

Old River District No. 1 Fund - The Old River District No. 1 fund accounts for funds held on behalf of Old River District No.1.

District Attorney Fund - The District Attorney Seizure fund accounts for funds seized in drug arrests until said funds are forfeited to the arresting police agency (sometimes more than one agency), District Attorney, or rightful owner.

Social Security Fund - The Social Security fund accounts for social security taxes and other employee benefits of the County and certain other governmental units.

Liberty County, Texas

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2014

| | <u>Inmate Release</u> | <u>County Officials</u> | <u>State Court</u> | <u>Old River</u> |
|---------------------------|-----------------------|-----------------------------|--------------------|-------------------|
| | <u>Escrow</u> | <u>Costs</u> | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 166,361 | \$ 5,054,228 | \$ 207,711 | \$ 809,711 |
| Due from others | - | - | 4,114 | - |
| Due from other funds | - | - | 8,458 | 1,206 |
| Total Assets | \$ 166,361 | \$ 5,054,228 | \$ 220,283 | \$ 810,917 |
| <u>Liabilities</u> | | | | |
| Accounts payable | - | - | 1,729 | 4,452 |
| Due to others | 166,361 | 4,718,611 | - | 806,465 |
| Due to other governments | - | - | 188,515 | - |
| Due to other funds | - | 335,617 | 30,039 | - |
| Total Liabilities | \$ 166,361 | \$ 5,054,228 | \$ 220,283 | \$ 810,917 |

See Notes to Financial Statements.

| <u>DA Seizures</u> | <u>LCSO Fine & Bond Account</u> | <u>Social Security</u> | <u>Total Agency Funds</u> |
|--------------------|-------------------------------------|------------------------|---------------------------|
| \$ 103,600 | \$ 305 | \$ - | \$ 6,341,916 |
| - | - | - | 4,114 |
| - | - | 8,698 | 18,362 |
| <u>\$ 103,600</u> | <u>\$ 305</u> | <u>\$ 8,698</u> | <u>\$ 6,364,392</u> |
| | | | |
| - | - | - | 6,181 |
| 103,600 | - | 8,698 | 5,803,735 |
| - | 305 | - | 188,820 |
| - | - | - | 365,656 |
| <u>\$ 103,600</u> | <u>\$ 305</u> | <u>\$ 8,698</u> | <u>\$ 6,364,392</u> |

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