

**NOLAN COUNTY, TEXAS**

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ANNUAL FINANCIAL REPORT

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YEAR ENDED SEPTEMBER 30, 2014

NOLAN COUNTY, TEXAS  
 ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and  
Members of the Commissioners Court  
Nolan 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 Nolan County, Texas (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the Texas County and District Retirement System trend data on pages iii through ix and 28 through 31 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

*Davis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
December 2, 2014

# NOLAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nolan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the County's financial statements.

## FINANCIAL HIGHLIGHTS

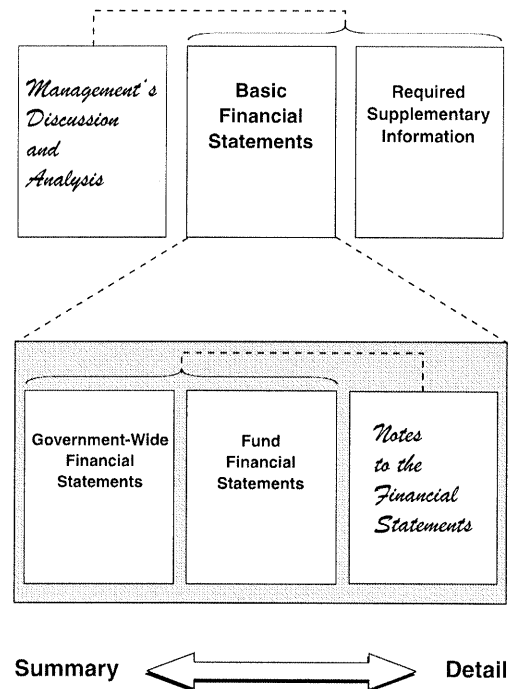
- Nolan County's total combined net position was \$11.9 million at September 30, 2014. Of this amount, \$8.6 million (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$2.6 million less than the \$12.2 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$7.4 million. All \$7.4 million is available for spending at the government's discretion.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The *Governmental Funds* statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary Fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



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

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

**FIGURE A-2**

**MAJOR FEATURES OF THE COUNTY’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire County’s government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in position and liabilities</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual basis accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-Wide Statements**

The government-wide statements are designed to provide readers with a broad overview of Nolan County’s finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 1) presents information on all of Nolan County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Nolan County’s financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 2) presents information showing how the government’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of these government-wide financial statements distinguish functions of Nolan 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). Governmental activities include general government, public safety, farm to market roads, health and welfare, economic development, culture and recreation. These activities are financed primarily by property taxes and grants.

## Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Nolan County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Nolan County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has two types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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*. These reconciliations can be found on Pages 5 and 8 of the basic financial statements section.

The County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, the Farm to Market Fund, Debt Service and the Capital Projects Fund because these funds are considered to be major funds. Individual fund data for each of the ten non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided on Pages 29 and 30 to demonstrate compliance with this budget.

- **Fiduciary funds**—The County is the trustee, or *fiduciary*, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position found on Page 9. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

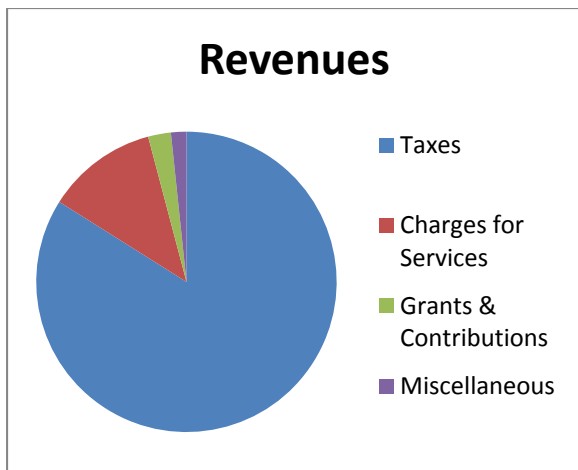
Nolan County's combined net position was approximately \$11.9 million at September 30, 2014. The largest portion of the County's net position reflects its investments, cash and accounts receivable, with the remainder reported as net investment in capital assets.

**Table A-1  
Nolan County's Net Position**

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 8,860,484	\$ 7,144,747
Capital and Non-Current Assets	13,936,645	7,838,816
Restricted Assets	5,772,568	11,511,131
<b>Total Assets</b>	<b>28,569,697</b>	<b>26,494,694</b>
Current Liabilities	1,750,232	375,860
Long Term Liabilities	14,961,091	16,883,491
<b>Total Liabilities</b>	<b>16,711,323</b>	<b>17,259,351</b>
Net Position		
Net Investment in Capital Assets	2,313,137	1,757,509
Restricted	946,131	815,928
Unrestricted	8,599,107	6,661,906
<b>Total Net Position</b>	<b>\$ 11,858,374</b>	<b>\$ 9,235,343</b>

**Changes in Net Position**—Nolan County's net position increased by approximately \$2.6 million during the current fiscal year. While property taxes increased by 29.3%, charges for services decreased by approximately 27.4%.

**Figure A-3  
SOURCES OF REVENUE FOR FISCAL YEAR 2014**



**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2014 were \$12.2 million. Approximately 83% of the County's revenue comes from various taxes. Property tax revenue increased 29.3% due to the additional tax for I & S. Charges for services were 12%, with operating grants and contributions at 2%. Earnings from investments were less than 1%.

Expenses increased by \$536 thousand or 5.9% from the prior year. For the most part, this increase was in general government.



**Table A-2**  
**Nolan County's Changes in Net Position**

	Governmental Activities		Percent
	2014	2013	Increase (-) Decrease
Revenues:			
Program Revenues			
Charges for Services	\$ 1,461,405	\$ 2,012,962	-27.4%
Operating Grants & contributions	298,377	242,093	23.2%
General Revenues			
Property Taxes	10,000,691	7,737,048	29.3%
Other Taxes	258,743	233,425	10.8%
Investment Earnings	59,528	50,798	17.2%
Miscellaneous	144,521	34,035	324.6%
Total Revenues	12,223,265	10,310,361	18.6%
Expenses:			
General Government	1,687,086	1,312,734	28.5%
Judicial Administration	1,048,583	1,035,835	1.2%
Legal	415,344	403,251	3.0%
Financial Administration	450,163	434,535	3.6%
Public Facilities	605,004	580,514	4.2%
Public Safety	2,307,553	2,097,110	10.0%
Farm to Market	1,883,947	1,816,605	3.7%
Health and Welfare	601,648	576,441	4.4%
Extension Service	104,199	116,749	-10.7%
Debt Service Interest Expense	318,910	523,933	-39.1%
Museum and Library-Intergovernmental	177,797	166,944	6.5%
Total Expenses	9,600,234	9,064,651	5.9%
Increase in Net Position	2,623,031	1,245,710	110.6%
Prior period adjustment	-	(8,000)	-100.0%
Beginning Net Position	9,235,343	7,997,633	15.5%
Ending Net Position	<u>\$ 11,858,374</u>	<u>\$ 9,235,343</u>	28.4%

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Nolan County's governmental funds reported a combined fund balance of \$13.3 million, a decrease of \$4.6 million in comparison with the prior year. Approximately 55.9% of this total amount (\$7.4 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted by legislation and bonds, assigned for specific purposes, and for retirement of long-term debt.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$7.4 million, the total fund balance is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 95% of total General Fund expenditures.

Nolan County's General Fund balance increased by \$1.3 million during the current fiscal year. A key factor in this increase was an increase in tax revenue and operating grants and contributions.

**General Fund Budgetary Highlights** - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$741 thousand under final budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**—As of September 30, 2014, the County had invested \$13.9 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements, depreciation and adjustments) of \$6 million, or 77% over last year.

Major events affecting capital assets during the year were:

- Construction on Courthouse Façade
- Construction of new jail and sheriff's office
- Machinery and equipment for Farm to Market
- New vehicles and equipment for the Sheriff's Department.

More detailed information about the County's capital assets can be found on page 21.

**Table A-3  
Nolan County's Capital Assets**

	Governmental Activities	
	2014	2013
Land	\$ 113,975	\$ 113,975
Construction in Progress	11,273,470	4,888,764
Buildings and Improvements	4,752,179	4,752,179
Furniture and Equipment	6,172,374	5,969,422
Total	22,311,998	15,724,340
Less Accumulated Depreciation	(8,375,353)	(7,885,524)
Net Capital Assets	<u>\$ 13,936,645</u>	<u>\$ 7,838,816</u>

**Long Term Debt**—At the end of the year, the County had \$16 million in outstanding debt.

**Table A-4  
The County's Long Term Debt**

	Governmental Activities	
	2014	2013
Bonds Payable	\$ 14,931,000	\$ 15,634,000
Capital Leases Payable	349,312	431,500
Bond Premium	707,697	762,135
Compensated Absences	62,762	55,856
Total Long-Term Debt Payable	<u>\$ 16,050,771</u>	<u>\$ 16,883,491</u>

During the year, Nolan County's debt decreased by \$833 thousand. Debt retirements for the year totaled \$839 thousand. The State limits the amount of general obligation debt that a County can issue up to 25% of its total assessed valuation. The current debt limitation is \$491 million which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long term liabilities can be found in the notes beginning on page 22.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The appraised value used for the 2015 budget preparation is estimated to be down \$15 million or .78% from 2014.
- The M&O tax rate established for 2015 General Fund and Farm to Market is \$.444773, an increase of \$.001693 from 2014. The new I&S tax rate for 2015 Debt Service Fund is \$.063912.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2015 fiscal year.

Amounts available for appropriation in the General Fund budget are \$9,280,105 an increase of 7% over the 2014 budget of \$8,642,273. Property taxes (benefiting from the 2015 increases in assessed valuations) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 14% to \$8,698,228. The largest increments are increases in salary raises, additional Sheriff personnel and liability/property/health insurance. The County has added no major new programs or initiatives to the 2015 budget, with the exception of the new construction.

If these estimates are realized, the County's budgetary General Fund balance is expected to increase.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Nolan County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Nolan County Auditor, 100 E. 3<sup>rd</sup> Street, Suite 102, Sweetwater, Texas 79556.

## **BASIC FINANCIAL STATEMENTS**

NOLAN COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary	Government
	Governmental Activities	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	8,043,572
Investments - Current		5,653
Receivables (net of allowance for uncollectibles)		786,857
Capitalized Bond Insurance Costs		24,402
Restricted Assets:		
Restricted Cash and Cash Equivalents		920,051
Restricted Cash Investments		4,852,517
Capital Assets:		
Land		113,975
Buildings, net		687,833
Furniture and Equipment, net		1,861,367
Construction in Progress		11,273,470
Total Assets		28,569,697
<b>LIABILITIES</b>		
Accounts Payable		637,511
Accrued Interest Payable		23,041
Noncurrent Liabilities		
Due Within One Year		1,089,680
Due in More Than One Year		14,961,091
Total Liabilities		16,711,323
<b>NET POSITION</b>		
Net Investment in Capital Assets		2,313,137
Restricted for:		
Restricted for Long Term Debt		606,547
Restricted for Other Purposes		339,584
Unrestricted Net Position		8,599,106
Total Net Position	\$	11,858,374

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

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,687,086	\$ 376,035	\$ 162,682	\$ (1,148,369)
Judicial	1,048,583	250,914	23,333	(774,336)
Legal	415,344	233,907	30,959	(150,478)
Financial Administration	450,163	55,120	-	(395,043)
Public Facilities	605,004	15,186	-	(589,818)
Public Safety	2,307,552	18,618	42,608	(2,246,326)
Farm to Market	1,883,948	511,625	38,795	(1,333,528)
Health and Welfare	601,648	-	-	(601,648)
Extension Service	104,199	-	-	(104,199)
Debt Interest	316,860	-	-	(316,860)
Fiscal Agent's Fees	2,050	-	-	(2,050)
Intergovernmental	177,797	-	-	(177,797)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 9,600,234</u>	<u>\$ 1,461,405</u>	<u>\$ 298,377</u>	<u>(7,840,452)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	7,539,842
Property Taxes, Levied for Farm to Market	1,189,732
Property Taxes, Levied for Debt Service	1,271,117
Hotel/Motel Tax	175,645
Other Taxes	83,098
Miscellaneous Revenue	144,521
Investment Earnings	59,528
<b>Total General Revenues</b>	<u>10,463,483</u>
Change in Net Position	2,623,031
Net Position - Beginning	9,235,343
<b>Net Position--Ending</b>	<u>\$ 11,858,374</u>

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

NOLAN COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Farm to Market Fund	Debt Service Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,485,665	\$ 522,899	\$ -
Investments - Current	3,363	2,290	-
Taxes Receivable	214,615	29,651	13,075
Allowance for Uncollectible Taxes (credit)	(163,107)	(21,052)	(131)
Receivables (Net)	670,455	2,047	1,304
Restricted Assets	-	-	-
Cash and Cash Equivalents	-	-	43,178
Investments - Current	-	-	-
Total Assets	<u>\$ 8,210,991</u>	<u>\$ 535,835</u>	<u>\$ 57,426</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 95,585	\$ 14,446	\$ -
Wages and Salaries Payable	23,333	-	-
Total Liabilities	<u>118,918</u>	<u>14,446</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	51,508	8,599	12,944
Unavailable Fines and Fees	622,649	-	-
Total Deferred Inflows of Resources	<u>674,157</u>	<u>8,599</u>	<u>12,944</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance	-	-	-
Enabling Legislation	-	-	-
Capital Projects	-	-	-
Retirement of Long-Term Debt	-	-	44,482
Assigned Fund Balance	-	-	-
Farm to Market	-	512,790	-
Other Purposes	-	-	-
Unassigned Fund Balance	7,417,916	-	-
Total Fund Balances	<u>7,417,916</u>	<u>512,790</u>	<u>44,482</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,210,991</u>	<u>\$ 535,835</u>	<u>\$ 57,426</u>

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

Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 35,008	\$ 8,043,572
-	-	5,653
-	-	257,341
-	-	(184,290)
-	40,000	713,806
-	-	-
-	876,873	920,051
4,851,394	1,123	4,852,517
<u>\$ 4,851,394</u>	<u>\$ 953,004</u>	<u>\$ 14,608,650</u>
\$ 486,893	\$ 17,254	\$ 614,178
-	-	23,333
<u>486,893</u>	<u>17,254</u>	<u>637,511</u>
-	-	73,051
-	-	622,649
<u>-</u>	<u>-</u>	<u>695,700</u>
-	-	-
-	339,584	339,584
4,364,501	-	4,364,501
-	562,065	606,547
-	-	-
-	-	512,790
-	34,101	34,101
-	-	7,417,916
<u>4,364,501</u>	<u>935,750</u>	<u>13,275,439</u>
<u>\$ 4,851,394</u>	<u>\$ 953,004</u>	<u>\$ 14,608,650</u>



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

<b>Total Fund Balances - Governmental Funds</b>	\$	13,275,439
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$15,724,340 and the accumulated depreciation was \$7,885,524. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(9,018,396)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position.		7,449,492
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(512,037)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		663,876
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>11,858,374</u>

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

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

	General Fund	Farm to Market Fund	Debt Service Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 7,544,524	\$ 1,189,364	\$ 1,258,358
Hotel/Motel Tax	-	-	-
Other Taxes	83,098	-	-
Licenses and Permits	55,120	358,826	-
Intergovernmental Revenue and Grants	259,583	38,794	-
Fines & Fees	704,300	152,799	-
Investment Earnings	47,469	5,059	1,040
Rents and Royalties	15,186	-	-
Other Revenue	140,434	162	-
Total Revenues	8,849,714	1,745,004	1,259,398
<b>EXPENDITURES:</b>			
Current:			
General Government	1,607,365	-	-
Judicial	1,013,954	-	-
Legal	387,092	-	-
Financial Administration	450,163	-	-
Public Facilities	517,476	-	-
Public Safety	2,105,389	-	-
Farm to Market	-	1,671,884	-
Health and Welfare	601,648	-	-
Extension Service	104,199	-	-
Debt Service:			
Debt Principal	-	82,188	650,000
Interest Expense	-	10,788	589,684
Fiscal Agent's Fees	-	-	1,550
Capital Outlay:			
Capital Outlay	78,180	146,980	-
Intergovernmental:			
Intergovernmental	177,797	-	-
Total Expenditures	7,043,263	1,911,840	1,241,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,806,451	(166,836)	18,164
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	500,000	-
Transfers Out (Use)	(505,000)	-	-
Total Other Financing Sources (Uses)	(505,000)	500,000	-
Net Change in Fund Balances	1,301,451	333,164	18,164
Fund Balance - October 1 (Beginning)	6,116,465	179,626	26,318
Fund Balance - September 30 (Ending)	\$ 7,417,916	\$ 512,790	\$ 44,482

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

Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,992,246
-	175,645	175,645
-	-	83,098
-	-	413,946
-	-	298,377
-	127,886	984,985
2,879	3,081	59,528
-	-	15,186
-	3,924	144,520
<u>2,879</u>	<u>310,536</u>	<u>12,167,531</u>
-	50,403	1,657,768
-	34,629	1,048,583
-	28,252	415,344
-	-	450,163
-	-	517,476
-	12,130	2,117,519
-	-	1,671,884
-	-	601,648
-	-	104,199
-	53,000	785,188
-	18,020	618,492
-	500	2,050
6,384,706	-	6,609,866
-	-	177,797
<u>6,384,706</u>	<u>196,934</u>	<u>16,777,977</u>
<u>(6,381,827)</u>	<u>113,602</u>	<u>(4,610,446)</u>
-	5,000	505,000
-	-	(505,000)
-	5,000	-
<u>(6,381,827)</u>	<u>118,602</u>	<u>(4,610,446)</u>
<u>10,746,328</u>	<u>817,148</u>	<u>17,885,885</u>
<u>\$ 4,364,501</u>	<u>\$ 935,750</u>	<u>\$ 13,275,439</u>

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(4,610,446)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase the change in net position.		7,449,492
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(512,037)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		296,022
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,623,031</u></b>

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

NOLAN COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2014

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 962,515
Total Assets	<u>\$ 962,515</u>
LIABILITIES	
Due to Other Governments	\$ 83,742
Due to Others	878,773
Total Liabilities	<u>\$ 962,515</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

**A. REPORTING ENTITY**

The County's modified accrual financial statements include the cash accounts of all funds handled by the Office of the County Treasurer. The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services. The County operates under a county judge/commissioners' court type of government as provided for by state statute. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the County's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

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

The County reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in current period. Deferred inflows of resources also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the deferred inflows of resources is removed from the balance sheet and revenue is recognized.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

D. **FUND ACCOUNTING**

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Separate funds are established to account for receipts and disbursements pertaining to separate identifiable functions of the County. Each fund represents a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. As a result, total receipts and disbursements by the County Treasurer are accumulated for report purposes with no elimination of interfund transactions.

The County reports the following major governmental funds:

- **General Fund** - To account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.
- **Farm to Market** - To account for proceeds of specific revenue sources that are legally restricted for expenditures for public transportation for County citizens.



NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. **FUND ACCOUNTING, continued**

- **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
- **Debt Service Fund** - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Additionally, the County reports the following non-major fund types:

Governmental Funds:

- **Special Revenue Fund** - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for expenditures for specified purposes.
- **Coliseum Debt Service Fund** - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund Types:

- **Trust and Agency Funds** - To account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

F. **OTHER ACCOUNTING POLICIES**

1. The County considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.
3. In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**F. OTHER ACCOUNTING POLICIES, continued**

3. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, vehicles, furniture and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-12

4. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer authorized by Article 3.51-2 Texas Insurance Code by contractual agreement.

**G. FUND BALANCES**

Nolan County elected to implement GASB No. 54, Fund Balance Reporting and Governmental fund Type Definitions, in fiscal year 2011. The fund financial statements will present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness:

- **Non-spendable:** This classification includes amounts that cannot be spent because they: (a) are not in spendable form (e.g., inventories and prepaid items); (b) are not expected to be converted into cash within the current period or at all (e.g., long-term receivables); or (c) are legally or contractually required to be maintained intact (e.g., the non-spendable corpus of an endowment). The County has not reported any amounts as non-spendable.
- **Restricted:** This classification includes amounts subject to usage constraints that have either been: (a) externally imposed by creditors (e.g., through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**F. FUND BALANCES, continued**

Nolan County reported the following restricted fund balances:

Debt Service Fund	\$	606,547
Records Management		109,365
Courthouse Security		145,652
Courthouse Technology		84,567
Capital Projects		4,364,501
Total Restricted Fund Balance	\$	5,310,632

- **Committed:** This classification includes amounts that are constrained to use for specific purposes pursuant to formal action of Commissioners' court. These amounts cannot be used for other purposes unless the Court removes or changes the constraints via the same type of action used to initially commit them. Nolan County has not reported any amounts that are considered to be committed.
- **Assigned:** This classification includes amounts intended by the County for use for a specific purpose but which do not qualify for classification either restricted or committed. The intent can be expressed by Commissioners' Court or by a Court designee (e.g., a department head). This classification applies to the positive unrestricted and uncommitted fund balances of all governmental funds except the General Fund. The County reported the following amounts as assigned:

Jury Fund	\$	4,406
Law Library Fund		15,290
Hot Check Fund		14,326
D.A.R.E. Fund		79
Farm to Market		512,790
Total Assigned Fund Balance	\$	546,891

- **Unassigned:** This classification applies to the residual fund balance of the General Fund and to any deficit fund balances of other governmental funds.

Nolan County will typically use restricted, committed and/or assigned fund balances, in that order, prior to using unassigned resources, but it reserves the right to deviate from this general strategy when appropriate.

Nolan County will maintain General fund unassigned fund balance at a level adequate to provide for unanticipated expenditures of a non-recurring nature and to meet unexpected increases in service delivery costs. The target level for General Fund unassigned fund balance will be three to six months of budgeted General Fund expenditures.

**H. USE OF ESTIMATES**

The preparation of financial statements in accordance 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 during the reporting period. Actual results could differ from estimates.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Page 5 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 113,975	\$	\$ 113,975	\$
Construction in Progress	4,888,764	-	4,888,764	
Buildings and Improvements	4,752,179	4,004,503	747,676	
Furniture and Equipment	5,969,422	3,881,021	2,088,401	
	<u>\$ 15,724,340</u>	<u>\$ 7,885,524</u>	<u>\$ 7,838,816</u>	7,838,816
Capitalized Bond Insurance Cost				26,279
Change in Net Position				<u>7,865,095</u>
			<u>Payable at the Beginning of the Year</u>	
Long-term Liabilities at the Beginning of the Year			\$ 15,634,000	
Bonds Payable			431,500	
Capital Leases Payable			55,856	
Compensated Absences			762,135	
Bond Premium			<u>\$ 16,883,491</u>	<u>(16,883,491)</u>
Change in Net Assets				
Net Adjustment to Net Position				<u>\$ (9,018,396)</u>

NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,  
continued**

**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**

Pages 5 and 7 provide reconciliations between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings and Improvements	\$ -		
Furniture and Equipment	225,160		
Construction in Progress	<u>6,384,706</u>		
Total Capital Outlay	<u>\$ 6,609,866</u>	\$ 6,609,866	\$ 6,609,866
<u>Debt Principal Payments</u>			
Bond Principal	\$ 703,000		
Capital Lease Principal	82,188		
Bond Premium Amortization	<u>54,438</u>		
Total Principal Payments	<u>\$ 839,626</u>	<u>839,626</u>	<u>839,626</u>
		<u>\$ 7,449,492</u>	<u>\$ 7,449,492</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,  
continued**

**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, continued**

Another element of the reconciliations on Pages 5 and 7 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes In Net Position	Adjustments to Net Position
<u>Adjustments to Tax Revenue and Deferred Inflows of Resources</u>			
Taxes collected from prior year levies	\$ 61,906	\$ (61,906)	\$ -
Uncollected taxes (assumed collectible) from current year levy	20,088	20,088	20,088
Uncollected taxes (assumed collectible) from prior year levy	52,963		52,963
Adjustment to prior year estimate of collectible taxes	50,264	50,264	
Subtotal		8,446	73,051
<u>Adjustments to Other Deferred Inflows of Resources and Revenues</u>			
Beginning balance for uncollected fines and fees	575,361		575,361
Change in uncollected fines and fees	47,288	47,288	47,288
Subtotal		47,288	622,649
<u>Adjustments to Expenses and Liabilities</u>			
Beginning interest payable	272,112	272,112	-
Interest payable	(23,041)	(23,041)	(23,041)
Increase in compensated absences	6,906	(6,906)	(6,906)
Decrease in prepaid bond insurance cost	1,877	(1,877)	(1,877)
Subtotal		240,288	(31,824)
Total Adjustments		\$ 296,022	\$ 663,876

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**III. PROPERTY TAXES**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of countywide Appraisal Districts and for the State Property Tax Board that commenced operation in January 1980.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,963,623 and the bank balance was \$9,203,789. The County's deposits as of September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

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

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**A. DEPOSITS AND INVESTMENTS, continued**

Legal and Contractual Provisions Governing Deposits and Investments, continued

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Investments held by the County at September 30, 2014 consisted of the following:

Tex Pool	<u>\$ 4,858,170</u>
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Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County adopted a deposit and investment policy; however, that policy does not address the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2014 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County's securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

**Other Credit Risk -** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies' repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. As of September 30, 2014 TexPool's investments credit quality rating was AAAm (Standard & Poor's).

TexPool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days. TexPool also seeks to maintain a constant dollar objective.

The County's general policy is to report nonparticipating interest-earning investment contracts using a cost-based measure. The term "nonparticipating" means that the investment's value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.



**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**B. INTERFUND RECEIVABLES AND PAYABLES**

There were no Interfund Receivables at September 30, 2014.

**C. INTERFUND TRANSFERS**

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Farm to Market	500,000	Operating expenses
General Fund	Jury Fund	5,000	Operating expenses
Total Transfers		<u>\$ 505,000</u>	

**D. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014, were as follows:

	<u>Property Taxes</u>	<u>Fines &amp; Fees</u>	<u>Hotel Motel Tax</u>	<u>Totals</u>
<b>Governmental Activities</b>				
General Fund	\$ 214,615	\$ 3,866,660	\$ -	\$ 4,081,275
Farm to Market	29,651	2,047	-	31,698
Debt Service	13,075	1,304	40,000	54,379
Total Governmental Activities	<u>257,341</u>	<u>3,870,011</u>	<u>40,000</u>	<u>4,167,352</u>
Allowance for Uncollectible	<u>(184,290)</u>	<u>(3,196,205)</u>	<u>-</u>	<u>(3,380,495)</u>
Net Receivables	<u>\$ 73,051</u>	<u>\$ 673,806</u>	<u>\$ 40,000</u>	<u>\$ 786,857</u>

Payables at September 30, 2014 reported on the County's fund statements were as follows:

	<u>Accounts Payable</u>	<u>Salaries Payable</u>	<u>Totals</u>
<b>Governmental Activities</b>			
General Fund	\$ 95,585	\$ 23,333	\$ 118,918
Farm to Market	14,446	-	14,446
Capital Projects	486,893	-	486,893
Other Funds	17,254	-	17,254
Total Governmental Activities	<u>\$ 614,178</u>	<u>\$ 23,333</u>	<u>\$ 637,511</u>
	-	-	-
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**E. CAPITAL ASSET ACTIVITY**

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

	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 113,975	\$ -	\$ -	\$ 113,975
Construction In Progress	4,888,764	6,384,706	-	11,273,470
Total Non-depreciable Assets	<u>5,002,739</u>	<u>6,384,706</u>	<u>-</u>	<u>11,387,445</u>
Depreciable Assets:				
Buildings and Improvements	4,752,179	-	-	4,752,179
Furniture and Equipment	5,969,422	225,160	22,208	6,172,374
Total Depreciable Assets	<u>10,721,601</u>	<u>225,160</u>	<u>22,208</u>	<u>10,924,553</u>
Totals at Historic Cost	<u>15,724,340</u>	<u>6,609,866</u>	<u>22,208</u>	<u>22,311,998</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,004,503	59,843	-	4,064,346
Furniture and Equipment	3,881,021	452,194	22,208	4,311,007
Total Accumulated Depreciation	<u>7,885,524</u>	<u>512,037</u>	<u>22,208</u>	<u>8,375,353</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,838,816</u>	<u>\$ 6,097,829</u>	<u>\$ -</u>	<u>\$ 13,936,645</u>

Current year depreciation expense was charged to governmental functions as follows:

General Government	\$ 22,412
Public Facilities	87,528
Public Safety	190,033
Farm to Market	212,064
Total Depreciation Expense	<u>\$ 512,037</u>

**F. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources at year-end as reported on Page 3-4 of the Funds Statements consisted of the following:

	General Fund	Farm to Market Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 51,508	\$ 8,599	\$ 12,944	\$ 73,051
Net Fines & Fees Revenue	622,649	-	-	622,649
Total Deferred Inflows of Resources	<u>\$ 674,157</u>	<u>\$ 8,599</u>	<u>\$ 12,944</u>	<u>\$ 695,700</u>

Adjustments required for Government-Wide Statement of Net Position decreased deferred inflows of resources by \$695,700.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**G. ACCUMULATED UNPAID ANNUAL LEAVE**

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the Government-Wide Statement of Net Position. At September 30, 2014, accrued employee benefits recorded on the Statement of Net Position were for vacation pay and amounted to \$62,762.

**H. CAPITAL LEASES**

During the year ended September 30, 2013, the County entered into a lease agreement in the amount of \$225,000 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$48,480.89 and one payment of \$48,480.86 to be paid in annual payments, including interest. The lease term is from 2013 to 2018. The lease agreement meets the criteria of a capital lease.

During the year ended September 30, 2013, the County entered into a lease agreement in the amount of \$206,500 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$44,494.68 and one payment of \$44,494.67 to be paid in annual payments, including interest. The lease term is from 2013 to 2018. The lease agreement meets the criteria of a capital lease

Capital Lease requirements are as follows:

Year Ended September 30,	Principal	Interest	Total Requirements
2015	\$ 84,242	\$ 8,734	\$ 92,976
2016	86,349	6,627	92,976
2017	88,508	4,468	92,976
2018	90,213	2,761	92,974
Total	<u>\$ 349,312</u>	<u>\$ 22,590</u>	<u>\$ 371,902</u>

**I. BONDS PAYABLE**

In April 2006, the County issued Certificates of Obligation in the amount of \$800,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

During the year ended September 30, 2013 the County issued General Obligation Bonds in the amount of \$15,210,000. The bonds are direct obligations of the County, payable from a continuing annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**I. BONDS PAYABLE (continued)**

The proceeds from the sale of the bonds will be used for the purpose of (1) constructing and equipping a new county jail and Sheriff's Department, including land located west of the City of Sweetwater, (2) renovating and remediating the courthouse façade; and (3) payment of professional services and costs of issuance related thereto.

The following are Certificates of Obligation bond issues outstanding at September 30, 2014:

	Interest Rate	Date of issue	Date of Maturity	Bonds Outstanding
Certificates of Obligation	4.250%	2006	2020	\$ 371,000
GO Bonds Series 2012	2-3%	2012	2028	9,090,000
GO Bonds Series 2013	2-3%	2013	2028	5,470,000

Debt service requirements are as follows:

Year Ended September 30,	Total Principal	Total Interest	Total Requirements
2015	\$ 951,000	\$ 366,817	\$ 1,317,817
2016	968,000	346,387	1,314,387
2017	990,000	325,523	1,315,523
2018	1,013,000	304,172	1,317,172
2019	1,031,000	282,345	1,313,345
2020-2024	5,263,000	1,062,165	6,325,165
2025-2028	4,715,000	288,225	5,003,225
Total	<u>\$ 14,931,000</u>	<u>\$ 2,975,634</u>	<u>\$ 17,906,634</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term debt activity for the year ended September 30, 2014, was as follows:

	Beginning Balance October 1, 2013	Additions	Reductions	Ending Balance September 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Bonds, Loans and Leases Payable:					
Certificates of Obligation Bonds	\$ 424,000	\$ -	\$ 53,000	\$ 371,000	\$ 56,000
Capital Leases Payable	431,500	-	82,188	349,312	84,242
GO Bonds	15,210,000	-	650,000	14,560,000	895,000
Bond Premium	762,135	-	54,438	707,697	54,438
Total Bonds, Loans and Leases Payable	<u>16,827,635</u>	<u>-</u>	<u>839,626</u>	<u>15,988,009</u>	<u>1,089,680</u>
Other Liabilities:					
Compensated Absences	55,856	6,906	-	62,762	-
Total Governmental Activities Long-term Liabilities	<u>\$16,883,491</u>	<u>\$ 6,906</u>	<u>\$ 839,626</u>	<u>\$16,050,771</u>	<u>\$ 1,089,680</u>

**K. RISK MANAGEMENT**

Health Insurance

During the year ended September 30, 2014, employees of Nolan County were covered by a health insurance plan (the Plan). The County paid health insurance premiums of \$565.70 per month for employees only. The County also paid \$21.98 per month for employee dental care. Employees, at their option, authorized payroll to pay any additional cost for dependent coverage. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Workers' Compensation

During the year ended September 30, 2014, employees of Nolan County were covered by a workers' compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$70,015 for the year ended September 30, 2014. These figures are subject to change based upon actual payroll figures.

NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**L. RETIREMENT PLAN**

Plan Description:

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy:

The employer has elected the annually determined contribution rate (Variable Rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.22% for the months of the accounting year in 2013 and 10.85% for the months of the accounting year in 2014.

The deposit rate payable by the employee members for calendar year 2014 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Annual Pension Cost:

For the employer's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$389,326 and the actual contributions were \$389,326. The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**L. RETIREMENT PLAN, continued**

The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

Funded Status and Funding Progress.

As of December 31, 2013, the most recent actuarial valuation date, the plan was 78.91 percent funded. The actuarial accrued liability for benefits was \$11,029,056, and the actuarial value of assets was \$8,703,094, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,325,962. The covered payroll (annual payroll of active employees covered by the plan) was \$3,883,264 and the ratio of the UAAL to the covered payroll was 59.90 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20 years	20 years	20 years
Asset valuation method	SAF: 10 years smoothed value EFS: Fund value	SAF: 10 years smoothed value EFS: Fund value	SAF: 5 years smoothed value EFS: Fund value
 Actuarial Assumptions			
Investment Return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information for the Retirement Plan  
for the Employees of Nolan County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/12	329,152	100%	-0-
9/30/13	349,814	100%	-0-
9/30/14	389,326	100%	-0-

NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

M. COMMITMENTS AND CONTINGENCIES

A. **Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

B. **Litigation**

The County Attorney has indicated that there is no pending litigation against the County.

V. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the County to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TCDRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014. The County will fully analyze the impact of this new Statement prior to the effective date.



**REQUIRED SUPPLEMENTARY INFORMATION**

**NOLAN COUNTY, TEXAS  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM TREND DATA  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN  
 FOR THE EMPLOYEES OF THE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	8,431,533	10,493,510	2,061,977	80.35%	3,827,515	53.87%
12/31/12	8,870,497	11,173,677	2,303,180	79.39%	3,765,970	61.16%
12/31/13	8,703,094	11,029,056	2,325,962	78.91%	3,883,264	59.90%

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

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 7,507,970	\$ 7,507,970	\$ 7,544,524	\$ 36,554
Other Taxes	60,000	60,000	83,098	23,098
Licenses and Permits	51,000	51,000	55,120	4,120
Intergovernmental Revenue and Grants	224,333	224,333	259,583	35,250
Fines & Fees	706,100	706,100	704,300	(1,800)
Investment Earnings	25,000	25,000	47,469	22,469
Rents and Royalties	15,420	15,420	15,186	(234)
Other Revenue	72,450	72,450	140,434	67,984
Total Revenues	<u>8,662,273</u>	<u>8,662,273</u>	<u>8,849,714</u>	<u>187,441</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,925,496	1,958,841	1,607,365	351,476
Judicial	1,090,291	1,090,312	1,013,954	76,358
Legal	420,795	420,795	387,092	33,703
Financial Administration	476,607	476,607	450,163	26,444
Public Facilities	595,929	595,929	517,476	78,453
Public Safety	2,233,286	2,223,695	2,105,389	118,306
Health and Welfare	547,423	609,239	601,648	7,591
Extension Service	127,580	127,580	104,199	23,381
Capital Outlay:				
Capital Outlay	37,000	88,620	78,180	10,440
Intergovernmental:				
Intergovernmental	192,957	192,957	177,797	15,160
Total Expenditures	<u>7,647,364</u>	<u>7,784,575</u>	<u>7,043,263</u>	<u>741,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,014,909</u>	<u>877,698</u>	<u>1,806,451</u>	<u>928,753</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	100,000	100,000	-	(100,000)
Transfers Out (Use)	(110,000)	(610,000)	(505,000)	105,000
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(510,000)</u>	<u>(505,000)</u>	<u>5,000</u>
Net Change	1,004,909	367,698	1,301,451	933,753
Fund Balance - October 1 (Beginning)	<u>6,116,465</u>	<u>6,116,465</u>	<u>6,116,465</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 7,121,374</u>	<u>\$ 6,484,163</u>	<u>\$ 7,417,916</u>	<u>\$ 933,753</u>

NOLAN COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - FARM TO MARKET  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,184,687	\$ 1,184,687	\$ 1,189,364	\$ 4,677
Licenses and Permits	400,000	400,000	358,826	(41,174)
Intergovernmental Revenue and Grants	30,000	30,000	38,794	8,794
Fines & Fees	131,500	131,500	152,799	21,299
Investment Earnings	3,000	3,000	5,059	2,059
Other Revenue	1,000	1,000	162	(838)
<b>Total Revenues</b>	<b>1,750,187</b>	<b>1,750,187</b>	<b>1,745,004</b>	<b>(5,183)</b>
<b>EXPENDITURES:</b>				
Current:				
Farm to Market	1,908,006	1,908,006	1,671,884	236,122
Debt Service:				
Debt Principal	-	-	82,188	(82,188)
Interest Expense	-	-	10,788	(10,788)
Capital Outlay:				
Capital Outlay	250,000	250,000	146,980	103,020
<b>Total Expenditures</b>	<b>2,158,006</b>	<b>2,158,006</b>	<b>1,911,840</b>	<b>246,166</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(407,819)</b>	<b>(407,819)</b>	<b>(166,836)</b>	<b>240,983</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	500,000	500,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>
Change in Fund Balance	(407,819)	(407,819)	333,164	740,983
Fund Balance - October 1 (Beginning)	179,626	179,626	179,626	-
Fund Balance - September 30 (Ending)	<b>\$ (228,193)</b>	<b>\$ (228,193)</b>	<b>\$ 512,790</b>	<b>\$ 740,983</b>

**NOLAN COUNTY, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2014**

**I. BUDGETARY DATA**

The County follows these procedures in establishing the budgetary data reflected in these basic financial statements:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2014 budget were approved by the Commissioners' Court as provided by law. The Farm to Market Fund had expenditures over appropriations during the year ending September 30, 2014 in the line items of debt service. The lease payments are budgeted as farm to market expenses and not broken out as principal and interest. For report purposes those are shown separately. Over all the expenditures did not exceed the budget.

## **COMBINING STATEMENTS**

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

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E. Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,406	\$ 15,290	\$ 15,233	\$ 79
Receivables (Net)	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	-
Investments - Current	-	-	-	-
Total Assets	<u>\$ 4,406</u>	<u>\$ 15,290</u>	<u>\$ 15,233</u>	<u>\$ 79</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 907	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>907</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance	-	-	-	-
Enabling Legislation	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance	-	-	-	-
Other Purposes	4,406	15,290	14,326	79
Total Fund Balances	<u>4,406</u>	<u>15,290</u>	<u>14,326</u>	<u>79</u>
Total Liabilities and Fund Balances	<u>\$ 4,406</u>	<u>\$ 15,290</u>	<u>\$ 15,233</u>	<u>\$ 79</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Coliseum Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,008	\$ -	\$ 35,008
-	-	-	-	-	-	40,000	40,000
7,133	93,867	8,365	161,999	84,567	355,931	520,942	876,873
-	-	-	-	-	-	1,123	1,123
<u>\$ 7,133</u>	<u>\$ 93,867</u>	<u>\$ 8,365</u>	<u>\$ 161,999</u>	<u>\$ 84,567</u>	<u>\$ 390,939</u>	<u>\$ 562,065</u>	<u>\$ 953,004</u>
\$ -	\$ -	\$ -	\$ 16,347	\$ -	\$ 17,254	\$ -	\$ 17,254
-	-	-	16,347	-	17,254	-	17,254
-	-	-	-	-	-	-	-
7,133	93,867	8,365	145,652	84,567	339,584	-	339,584
-	-	-	-	-	-	562,065	562,065
-	-	-	-	-	-	-	-
-	-	-	-	-	34,101	-	34,101
<u>7,133</u>	<u>93,867</u>	<u>8,365</u>	<u>145,652</u>	<u>84,567</u>	<u>373,685</u>	<u>562,065</u>	<u>935,750</u>
<u>\$ 7,133</u>	<u>\$ 93,867</u>	<u>\$ 8,365</u>	<u>\$ 161,999</u>	<u>\$ 84,567</u>	<u>\$ 390,939</u>	<u>\$ 562,065</u>	<u>\$ 953,004</u>



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

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E. Fund
REVENUES:				
Taxes:				
Hotel/Motel Tax	\$ -	\$ -	\$ -	\$ -
Fines & Fees	299	6,020	29,613	-
Investment Earnings	31	-	-	-
Other Revenue	2,924	-	-	1,000
Total Revenues	<u>3,254</u>	<u>6,020</u>	<u>29,613</u>	<u>1,000</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Judicial	6,750	5,598	-	-
Legal	-	-	24,959	-
Public Safety	-	-	-	1,017
Debt Service:				
Debt Principal	-	-	-	-
Interest Expense	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Total Expenditures	<u>6,750</u>	<u>5,598</u>	<u>24,959</u>	<u>1,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,496)</u>	<u>422</u>	<u>4,654</u>	<u>(17)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,504	422	4,654	(17)
Fund Balance - October 1 (Beginning)	<u>2,902</u>	<u>14,868</u>	<u>9,672</u>	<u>96</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,406</u>	<u>\$ 15,290</u>	<u>\$ 14,326</u>	<u>\$ 79</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Coliseum Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,645	\$ 175,645
7,506	57,244	5,912	12,946	8,346	127,886	-	127,886
-	404	-	-	-	435	2,646	3,081
-	-	-	-	-	3,924	-	3,924
<u>7,506</u>	<u>57,648</u>	<u>5,912</u>	<u>12,946</u>	<u>8,346</u>	<u>132,245</u>	<u>178,291</u>	<u>310,536</u>
27,590	22,813	-	-	-	50,403	-	50,403
-	-	-	22,281	-	34,629	-	34,629
-	-	3,293	-	-	28,252	-	28,252
-	-	-	-	11,113	12,130	-	12,130
-	-	-	-	-	-	53,000	53,000
-	-	-	-	-	-	18,020	18,020
-	-	-	-	-	-	500	500
<u>27,590</u>	<u>22,813</u>	<u>3,293</u>	<u>22,281</u>	<u>11,113</u>	<u>125,414</u>	<u>71,520</u>	<u>196,934</u>
<u>(20,084)</u>	<u>34,835</u>	<u>2,619</u>	<u>(9,335)</u>	<u>(2,767)</u>	<u>6,831</u>	<u>106,771</u>	<u>113,602</u>
-	-	-	-	-	5,000	-	5,000
-	-	-	-	-	5,000	-	5,000
<u>(20,084)</u>	<u>34,835</u>	<u>2,619</u>	<u>(9,335)</u>	<u>(2,767)</u>	<u>11,831</u>	<u>106,771</u>	<u>118,602</u>
<u>27,217</u>	<u>59,032</u>	<u>5,746</u>	<u>154,987</u>	<u>87,334</u>	<u>361,854</u>	<u>455,294</u>	<u>817,148</u>
<u>\$ 7,133</u>	<u>\$ 93,867</u>	<u>\$ 8,365</u>	<u>\$ 145,652</u>	<u>\$ 84,567</u>	<u>\$ 373,685</u>	<u>\$ 562,065</u>	<u>\$ 935,750</u>

NOLAN COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BALANCE OCTOBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2014
<b>UNCLAIMED MONEY</b>				
Assets:				
Cash and Cash Equivalents	\$ 97	\$ -	\$ -	\$ 97
Liabilities:				
Due to Others	\$ 97	\$ -	\$ -	\$ 97
<b>TRUST &amp; AGENCY</b>				
Assets:				
Cash and Cash Equivalents	\$ 70,634	\$ 274,061	\$ 260,953	\$ 83,742
Liabilities:				
Due to Other Funds	\$ 9,593	\$ -	\$ 9,593	\$ -
Due to Other Governments	61,041	274,063	251,362	83,742
Total Liabilities	\$ 70,634	\$ 274,063	\$ 260,955	\$ 83,742
<b>RESTITUTION FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 139,918	\$ 48,993	\$ 25,749	\$ 163,162
Liabilities:				
Due to Others	\$ 139,918	\$ 48,993	\$ 25,749	\$ 163,162
<b>EXTRADITIONS FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 15,913	\$ 6,913	\$ 3,222	\$ 19,604
Liabilities:				
Due to Others	\$ 15,913	\$ 6,913	\$ 3,222	\$ 19,604
<b>DISTRICT ATTORNEY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 163,372	\$ 227,263	\$ 152,847	\$ 237,788
Liabilities:				
Due to Others	\$ 163,372	\$ 227,263	\$ 152,847	\$ 237,788
<b>SHERIFF FORFEITURE</b>				
Assets:				
Cash and Cash Equivalents	\$ 137,843	\$ 185,476	\$ 238,725	\$ 84,594
Liabilities:				
Due to Others	\$ 137,843	\$ 185,476	\$ 238,725	\$ 84,594
<b>TAX ASSESSOR COLLECTOR FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 165,437	\$ 2,952,471	\$ 2,927,943	\$ 189,965
Liabilities:				
Due to Others	\$ 165,437	\$ 2,952,471	\$ 2,927,943	\$ 189,965

NOLAN COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BALANCE OCTOBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2014
<b>COUNTY COURT FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 93,652	\$ 26,169	\$ 85,032	\$ 34,789
Liabilities:				
Due to Others	\$ 93,652	\$ 26,169	\$ 85,032	\$ 34,789
<b>COUNTY COURT FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 148,756	\$ 42,257	\$ 42,239	\$ 148,774
Liabilities:				
Due to Others	\$ 148,756	\$ 42,257	\$ 42,239	\$ 148,774
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 935,622	\$ 3,763,603	\$ 3,736,710	\$ 962,515
Liabilities:				
Due to Other Funds	\$ 9,593	\$ -	\$ 9,593	\$ -
Due to Other Governments	61,041	274,063	251,362	83,742
Due to Others	864,988	3,489,542	3,475,757	878,773
Total Liabilities	\$ 935,622	\$ 3,763,605	\$ 3,736,712	\$ 962,515

**OTHER INFORMATION REQUIRED BY GAO**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas (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, and have issued our report thereon dated December 2, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Dennis Kinard & Co., PC*

Certified Public Accountants

Abilene, Texas  
December 2, 2014