

HARDIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

HARDIN COUNTY, TEXAS
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INDEPENDENT AUDITORS' REPORT

To The Honorable County Judge
And County Commissioners and Management of
Hardin County, Texas
300 Monroe
Kountze, Texas 77625

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 Hardin County (County), as of and for the year ended September 30, 2015, 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 auditors' judgment, including the assessments of the risk 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 Hardin County, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A.3, in 2015 the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information, as listed in the table of contents, 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.

Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Texas Uniform Grant Management Standards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of Hardin 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 Hardin County's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants**

**Conroe, Texas
April 25, 2016**

Management's Discussion Analysis

As management of Hardin County, Texas (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year by \$12,850,775 (*net position*). Of this amount, \$3,857,680 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased by \$2,052,023, which includes a prior period adjustment for implementing GASB 68 and 71.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,091,983, an increase of \$545,977 in comparison with the prior year, including a prior period adjustment for unreimbursed FEMA expenditures.
- At the end of the current fiscal year, total fund balance for the general fund was \$4,359,753, or 31 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the County's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies.

The statement of net position presents information on all of the assets, liabilities, and deferred inflows/outflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the County is improving or deteriorating.

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

Government-wide financial statements of a government distinguish functions 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 activities). The County has no business type activities. Services provided by the County reported as governmental activities include general administration, public safety, public works, culture and recreation, and interest and fiscal charges.

The government-wide financial statements can be found as noted in the table of contents of this report.

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

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

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

The County's report includes thirty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge (regular and special) fund, the interest and sinking fund and the emergency management services fund which are considered to be major funds. Data from the twenty-seven other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and can be found as noted in the table of contents of this report.

The County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison schedules have been provided for the general fund and the road and bridge (regular and special) fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is the trustee, or fiduciary, for assets which are held by the County as an agent, pending distribution to authorized recipients. The County currently maintains agency funds only. These assets are reported in a separate statement of fiduciary assets and liabilities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hardin County. The County adopts an annual budget for its General Fund and special revenue funds including its road and bridge (regular and special) fund. Required supplementary information can be found as noted in the table of contents of this report. Budgetary comparison schedules have been prepared to demonstrate compliance with the budget for the general fund and the road and bridge (regular and special) fund. The County also presents pension plan and OPEB plan schedules as required.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining fund financial statements. Such supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities by \$12,850,775 at the close of the most recent fiscal year.

HARDIN COUNTY, TEXAS'S NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 11,454,830	54	\$ 10,943,725	54	\$ 511,105	5
Capital Assets, net of Depreciation	9,827,832	46	9,511,815	46	316,017	3
Total Assets	21,282,662	100	20,455,540	100	827,122	
Total Deferred Outflows of Resources	1,620,946	100	44,694	100	1,576,252	3,527
Noncurrent Liabilities Outstanding	7,959,229	79	3,406,974	61	4,552,255	134
Other Liabilities	2,093,604	21	2,190,462	39	(96,858)	(4)
Total Liabilities	10,052,833	100	5,597,436	100	4,455,397	
Net Position:						
Net Investment in Capital Assets	7,509,011	58	6,857,852	46	651,159	9
Restricted	1,484,084	12	1,183,038	8	301,046	25
Unrestricted	3,857,680	30	6,861,908	46	(3,004,228)	(44)
Total Net Position	\$ 12,850,775	100	\$ 14,902,798	100	\$ (2,052,023)	

Of the County's net position at the fiscal year end, 58% is investment in capital assets (land and improvements, buildings, improvements other than buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. Hardin County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although investments in capital assets is reported net of debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the assets at fiscal year end may represent resources that are subject to restrictions on how they may be used. Restricted net position of the County was \$35,775 for interest and sinking and \$1,448,309 for special revenue funds. Unrestricted assets of \$3,857,680 (30% of total net position) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased the District's net position by \$1,896,813 from current operations and decreased \$3,948,836 from the implementation of GASB 68 and 71, as described in the notes to the financial statements. Key elements of the changes are as follows:

HARDIN COUNTY, TEXAS'S CHANGES IN NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 4,764,948	19	\$ 4,496,547	18	\$ 268,401	6
Operating Grants and Contributions	3,354,010	14	2,241,569	10	1,112,441	50
General Revenues:						
Property Taxes	16,164,367	66	17,305,832	70	(1,141,465)	(7)
Intergovernmental	143,555	1	132,996	1	10,559	8
Miscellaneous	78,303	-	225,469	1	(147,166)	(65)
Interest	6,923	-	6,548	-	375	6
Total Revenues	24,512,106	100	24,408,961	100	103,145	
Expenses:						
General Administration	3,397,102	15	3,498,670	15	(101,568)	(3)
Public Safety	15,626,633	69	14,276,631	64	1,350,002	9
Public Works	3,413,073	15	4,451,611	20	(1,038,538)	(23)
Culture and Recreation	120,466	1	195,730	1	(75,264)	(38)
Interest and Fiscal Charges	58,019	-	55,498	-	2,521	5
Total Expenses	22,615,293	100	22,478,140	100	137,153	
Change in Net Position	1,896,813		1,930,821		(34,008)	
Net Position - Beginning	14,902,798		13,078,326		1,824,472	
Prior Period Adjustment	(3,948,836)		(106,349)		(3,842,487)	
Net Position - Beginning, as restated	10,953,962		12,971,977		(2,018,015)	
Net Position - Ending	\$ 12,850,775		\$ 14,902,798		\$ (2,052,023)	

Net position increased from the current year operations primarily due to the increase of operating grants and contributions from the awarding of new federal and state grants while holding total expenses close to prior year.

Revenues are generated primarily from three sources: 1) charges for services representing 19 percent total revenue, 2) operating grants and contributions representing 14 percent of total revenues and 3) property taxes representing 66 percent of total revenues. The remaining 1 percent is generated from intergovernmental revenues not specified for specific purposes, interest and miscellaneous.

The primary functions of the County are general administration representing 15 percent of total expenses, public safety representing 69 percent of total expenses, and public works representing 15 percent of total expenses. The remaining functional categories of expenses are less than 10 percent of total expenses.

Financial Analysis of the Government's Funds

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

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

The County's governmental funds reflect a combined ending fund balance of \$7,091,983 compared to \$6,546,006 in the prior year.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,348,702, and the total fund balance was \$4,359,753. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 31 percent of total general fund expenditures and total fund balance represents 31 percent of total general fund expenditures. The fund balance of the District's general fund increased from current operations by \$757,501 and decreased \$464,477 from a prior period adjustment to remove the previously recorded FEMA receivable during the current fiscal year. The increase in fund balance is primarily due to the increase in operating grants and contributions from the awarding of new federal and state grants while holding total expenses close to prior year.

The fund balance of the Road and Bridge (Regular and Special) Fund, a fund used to account for the costs of providing road maintenance to the County, had an ending fund balance in the current year of \$1,242,562 which is a decrease of \$70,423 when compared to the prior year. The unspent funds continue to be committed for road maintenance in future years.

The Interest and Sinking Fund is used to account for receipts and disbursement of funds to retire bonded debt. Fund balance increased by \$3,746 in the current year, bringing the ending fund balance to \$19,929.

The emergency management services maintained a zero fund balance after a transfer was made to cover a deficit.

General Fund Budgetary Highlights

The County amended the budget several times throughout the year. There were no significant differences between the original budget and the final amended budget of the general fund.

There were no significant variations between final budget and actual budget results. No variations are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

Capital Assets. Hardin County's investment in capital assets on a government-wide basis as of September 30, 2015 is \$9,827,832 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

Major capital asset additions during the current fiscal year included the following:

- \$199,340 Vehicles
- \$398,331 Tractor/Mowers
- \$408,469 Generators

HARDIN COUNTY, TEXAS'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 491,917	5	\$ 438,414	5	\$ 53,503	12
Construction in Progress	9,280	-	-	-		
Buildings	3,532,935	36	3,647,819	38	(114,884)	(3)
Improvements Other Than Buildings	400,827	4	440,347	5	(39,520)	(9)
Machinery and Equipment	2,557,407	26	2,064,167	22	493,240	24
Infrastructure	2,835,466	29	2,921,068	30	(85,602)	(3)
Totals	\$ 9,827,832	100	\$ 9,511,815	100	\$ 306,737	

Additional information on the County's capital assets can be found in the notes to the financial statements as noted in the table of contents of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the County had total noncurrent liabilities outstanding of \$7,959,229. Of this amount, \$2,211,779 comprises general obligation bonds, \$146,579 are loans for vehicles and equipment, \$329,598 is a liability for retiree health insurance (OPEB), \$457,472 is a liability for compensated absences, and \$4,813,801 is a liability for pension obligations.

HARDIN COUNTY, TEXAS'S OUTSTANDING NONCURRENT LIABILITIES

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligations Bonds (Net)	\$ 2,211,779	28	\$ 2,458,098	31	\$ (246,319)	(10)
Notes Payable	146,579	2	240,559	3	(93,980)	(39)
Compensated Absences	457,472	6	422,849	6	34,623	8
Retiree Health Insurance (OPEB)	329,598	4	285,468	4	44,130	15
Net Pension Liability*	4,813,801	60	4,517,807	57	295,994	7
Totals	\$ 7,959,229	100	\$ 7,924,781	101	\$ 34,448	

*2014 Net Pension Liability was restated for implementation of GASB 68.

The County's bonded debt decreased \$246,319 for scheduled payments of principal.

All debt is backed by the full faith and credit of the government, meaning that the County has pledged to levy a property tax sufficient to pay the debt.

Additional information on the County's noncurrent debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors, Budget and Rate information for FY beginning October 1, 2015

- The unemployment rate in the County is currently 5.7%, which compares unfavorably to the state unemployment rate of 4.2% and national unemployment rate of 5.1%.
- Property values of the County are projected to increase 2.0% for FY 2016.
- Commissioners' Court approved a \$15,483,659 expenditure budget in the general fund for FY 2016, an increase from the \$14,831,401 budget for the 2015 fiscal year.
- The tax rate adopted for the FY 2016 budget is \$0.5762 per \$100 of valuation, which is an increase from a rate of \$0.5600 in the prior year.

All these factors were considered in preparing the County's budget for FY 2016.

Request for Information

This financial report is designed to provide a general overview of Hardin County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be addressed to the Hardin County Auditor's office, 300 Monroe, Kountze, TX 77625.

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BASIC FINANCIAL STATEMENTS

HARDIN COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT A-1

	Governmental Activities
ASSETS:	
<i>Cash and Cash Equivalents</i>	\$ 8,162,040
<i>Property Taxes Receivable</i>	2,357,473
<i>Allowance for Uncollectible Taxes</i>	(70,600)
<i>Other Receivables</i>	994,866
<i>Prepaid Items</i>	11,051
Capital Assets:	
<i>Land and Improvements</i>	491,917
<i>Buildings</i>	8,708,517
<i>Improvements Other Than Buildings</i>	805,445
<i>Machinery and Equipment</i>	7,530,448
<i>Infrastructure</i>	22,135,468
<i>Construction In Progress</i>	9,280
<i>Accumulated Depreciation</i>	(29,853,243)
Total Assets	<u>21,282,662</u>
DEFERRED OUTFLOWS OF RESOURCES:	
<i>Deferred Outflows of Resources</i>	1,620,946
Total Deferred Outflows of Resources	<u>1,620,946</u>
LIABILITIES:	
<i>Accounts Payable</i>	582,927
<i>Accrued Payroll and Related Fringes</i>	450,741
<i>Accrued Expenditures</i>	347,335
<i>Unearned Revenue</i>	694,971
<i>Interest Payable</i>	17,630
Noncurrent Liabilities:	
<i>Due Within One Year</i>	772,717
<i>Due in More Than One Year</i>	7,186,512
Total Liabilities	<u>10,052,833</u>
NET POSITION:	
<i>Net Investment in Capital Assets</i>	7,509,011
<i>Restricted for Interest and Sinking</i>	35,775
<i>Restricted for Special Revenue Funds</i>	1,448,309
<i>Unrestricted</i>	3,857,680
Total Net Position	<u>\$ 12,850,775</u>

The accompanying notes are an integral part of this statement.

HARDIN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
<i>General Administration</i>	\$ 3,397,102	\$ 343,212	\$ -	\$ (3,053,890)
<i>Public Safety</i>	15,626,633	2,142,079	3,341,194	(10,143,360)
<i>Public Works</i>	3,413,073	2,279,657	-	(1,133,416)
<i>Culture and Recreation</i>	120,466	-	12,816	(107,650)
<i>Interest and Fiscal Charges</i>	58,019	-	-	(58,019)
Total Governmental Activities	<u>22,615,293</u>	<u>4,764,948</u>	<u>3,354,010</u>	<u>(14,496,335)</u>
Total Primary Government	\$ <u>22,615,293</u>	\$ <u>4,764,948</u>	\$ <u>3,354,010</u>	<u>(14,496,335)</u>
General Revenues:				
<i>Property Taxes</i>				16,164,367
<i>Intergovernmental</i>				143,555
<i>Miscellaneous</i>				78,303
<i>Interest</i>				6,923
Total General Revenues				<u>16,393,148</u>
Change in Net Position				<u>1,896,813</u>
Net Position - Beginning				14,902,798
Prior Period Adjustments				<u>(3,948,836)</u>
Net Position - Beginning, as restated				10,953,962
Net Position - Ending				\$ <u>12,850,775</u>

The accompanying notes are an integral part of this statement.

HARDIN COUNTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Road and Bridge (Regular and Special)</u>
ASSETS:		
<i>Cash and Cash Equivalents</i>	\$ 5,233,640	\$ 1,151,094
<i>Property Taxes Receivable</i>	1,904,561	365,668
<i>Allowance for Uncollectible Taxes</i>	(57,000)	(11,000)
<i>Other Receivables</i>	62,424	1,975
<i>Prepaid Items</i>	11,051	-
<i>Due from Other Funds</i>	-	226,046
Total Assets	<u>\$ 7,154,676</u>	<u>\$ 1,733,783</u>
LIABILITIES:		
<i>Accounts Payable</i>	\$ 335,414	\$ 61,877
<i>Accrued Payroll and Related Fringes</i>	361,289	74,676
<i>Due to Other Funds</i>	88,934	-
<i>Accrued Expenditures</i>	161,725	-
<i>Unearned Revenue</i>	-	-
Total Liabilities	<u>947,362</u>	<u>136,553</u>
DEFERRED INFLOWS OF RESOURCES:		
<i>Unavailable Revenue - Property Taxes</i>	<u>1,847,561</u>	<u>354,668</u>
Total Deferred Inflows of Resources	<u>1,847,561</u>	<u>354,668</u>
FUND BALANCES:		
<i>Nonspendable - General Fund</i>	11,051	-
<i>Restricted for Interest and Sinking</i>	-	-
<i>Restricted for Special Revenue Funds</i>	-	-
<i>Committed for Special Revenue Funds</i>	-	1,242,562
<i>Unassigned - General Fund</i>	<u>4,348,702</u>	-
Total Fund Balances	<u>4,359,753</u>	<u>1,242,562</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,154,676</u>	<u>\$ 1,733,783</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Interest and Sinking Fund	Emergency Management Services	Nonmajor Governmental Funds	Total Governmental Funds
\$ 105,765	\$ 184,331	\$ 1,487,210	\$ 8,162,040
34,476	-	52,768	2,357,473
(1,000)	-	(1,600)	(70,600)
163	577,180	353,124	994,866
-	-	-	11,051
-	16,192	444,571	686,809
<u>\$ 139,404</u>	<u>\$ 777,703</u>	<u>\$ 2,336,073</u>	<u>\$ 12,141,639</u>
\$ -	\$ 120,717	\$ 64,919	\$ 582,927
-	-	14,776	450,741
85,999	-	511,876	686,809
-	61,085	124,525	347,335
-	595,901	99,070	694,971
<u>85,999</u>	<u>777,703</u>	<u>815,166</u>	<u>2,762,783</u>
33,476	-	51,168	2,286,873
<u>33,476</u>	<u>-</u>	<u>51,168</u>	<u>2,286,873</u>
-	-	-	11,051
19,929	-	-	19,929
-	-	1,448,309	1,448,309
-	-	21,430	1,263,992
-	-	-	4,348,702
<u>19,929</u>	<u>-</u>	<u>1,469,739</u>	<u>7,091,983</u>
<u>\$ 139,404</u>	<u>\$ 777,703</u>	<u>\$ 2,336,073</u>	<u>\$ 12,141,639</u>

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HARDIN COUNTY, TEXAS**EXHIBIT A-4**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015*

Total Fund Balances - Governmental Funds (Exhibit A-3) \$ 7,091,983

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 39,681,075	
Accumulated Depreciation of Governmental Capital Assets	<u>(29,853,243)</u>	9,827,832

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		2,286,873
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (2,125,000)	
Premium on Bonds Payable	(86,779)	
Accrued Interest on the Bonds Payable	(17,630)	
Notes Payable	(146,579)	
Compensated Absences	(457,472)	
OPEB Retiree Health Insurance	(329,598)	
Net Pension Liability	<u>(4,813,801)</u>	(7,976,859)

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.		39,537
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Deferred outflows for pension are included in the statement of net position and are not reported in the funds due to they are not a current financial resource available to pay for current expenditures.		<u>1,581,409</u>
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Total Net Position - Governmental Activities (Exhibit A-1) \$ 12,850,775

The accompanying notes are an integral part of this statement.

HARDIN COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Road and Bridge (Regular and Special)</u>
REVENUES:		
Taxes	\$ 13,146,569	\$ 2,189,582
Intergovernmental	159,756	-
Fines and Fees	1,112,429	462,974
Contributions	12,816	-
Licenses and Permits	98,141	1,816,683
Miscellaneous	68,952	1,814
Interest	6,206	-
Total Revenues	<u>14,604,869</u>	<u>4,471,053</u>
EXPENDITURES:		
Current:		
General Administration	1,454,040	-
Judicial	2,452,961	-
Legal	540,810	-
Financial Administration	1,785,910	-
Public Facilities	792,238	-
Public Safety	5,977,340	-
Health and Welfare	707,706	-
Conservation	67,915	-
Culture and Recreation	64,760	-
Miscellaneous	18,017	-
Debt Service:		
Principal	-	73,079
Interest Expense	-	6,243
Road and Bridge:		
County Wide	-	455,258
Commissioner - Pct. 1	-	667,527
Commissioner - Pct. 2	-	1,378,788
Commissioner - Pct. 3	-	1,147,098
Commissioner - Pct. 4	-	391,658
Total Expenditures	<u>13,861,697</u>	<u>4,119,651</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>743,172</u>	<u>351,402</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	428,884	-
Transfers Out	<u>(414,555)</u>	<u>(421,825)</u>
Total Other Financing Sources (Uses)	<u>14,329</u>	<u>(421,825)</u>
Net Change in Fund Balances	<u>757,501</u>	<u>(70,423)</u>
Fund Balances - Beginning	4,066,729	1,312,985
Prior Period Adjustment	<u>(464,477)</u>	<u>-</u>
Fund Balances - Beginning, as restated	<u>3,602,252</u>	<u>1,312,985</u>
Fund Balances - Ending	<u>\$ 4,359,753</u>	<u>\$ 1,242,562</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Interest and Sinking Fund</u>	<u>Emergency Management Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 298,814	\$ -	\$ 469,766	\$ 16,104,731
-	1,241,670	2,482,934	3,884,360
-	-	857,777	2,433,180
-	-	24,016	36,832
-	-	-	1,914,824
-	-	854	71,620
72	-	645	6,923
<u>298,886</u>	<u>1,241,670</u>	<u>3,835,992</u>	<u>24,452,470</u>
200	-	106,836	1,561,076
-	-	677,082	3,130,043
-	-	63,291	604,101
-	-	-	1,785,910
-	-	-	792,238
-	1,383,526	2,082,121	9,442,987
-	-	831,423	1,539,129
-	-	-	67,915
-	-	-	64,760
-	-	-	18,017
235,000	-	20,901	328,980
59,940	-	348	66,531
-	-	-	455,258
-	-	-	667,527
-	-	-	1,378,788
-	-	-	1,147,098
-	-	-	391,658
<u>295,140</u>	<u>1,383,526</u>	<u>3,782,002</u>	<u>23,442,016</u>
<u>3,746</u>	<u>(141,856)</u>	<u>53,990</u>	<u>1,010,454</u>
-	141,856	272,699	843,439
-	-	(7,059)	(843,439)
-	<u>141,856</u>	<u>265,640</u>	<u>-</u>
<u>3,746</u>	<u>-</u>	<u>319,630</u>	<u>1,010,454</u>
16,183	-	1,150,109	6,546,006
-	-	-	(464,477)
16,183	-	1,150,109	6,081,529
<u>\$ 19,929</u>	<u>\$ -</u>	<u>\$ 1,469,739</u>	<u>\$ 7,091,983</u>

HARDIN COUNTY, TEXAS**EXHIBIT A-6****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Total Net Changes in Fund Balances - Governmental Funds (Exhibit A-5) \$ 1,010,454

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 1,117,564	
Depreciation Expense	<u>(801,547)</u>	316,017

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the funds. Deferred tax revenues *increased (decreased)* by this amount this year. 59,636

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Payable Principal Payment	\$ 235,000	
Notes Payable Principal Payment	<u>93,980</u>	328,980

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consists of the following:

Accrued Interest on Current Interest Bonds Payable <i>(increased) decreased</i>	\$ 2,350	
Amortization of Bond Premium	11,319	
Amortization of Defeasance Costs	<u>(5,157)</u>	8,512

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The amounts are as follows:

Compensated Absences <i>(increased) decreased</i>	\$ (34,623)	
OPEB Retiree Health Insurance <i>(increased) decreased</i>	<u>(44,130)</u>	(78,753)

The net change in net pension liability and deferred outflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 547,961	
Net Pension Liability (Increased) Decreased	<u>(295,994)</u>	<u>251,967</u>

Change in Net Position for Governmental Activities (Exhibit B-1) \$ 1,896,813

The accompanying notes are an integral part of this statement.

HARDIN COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2015

EXHIBIT A-7

	Agency Funds
ASSETS:	
<i>Cash and Cash Equivalents</i>	\$ 3,109,863
Total Assets	<u>\$ 3,109,863</u>
LIABILITIES:	
<i>Payables to Others</i>	\$ 3,109,863
Total Liabilities	<u>\$ 3,109,863</u>

The accompanying notes are an integral part of this statement.

HARDIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

A. Summary of Significant Accounting Policies

1. Reporting Entity

The government of Hardin County, Texas, a political subdivision of the State of Texas, was formed by state law. The County is governed by the County Judge and four Commissioners, all of which are elected officials, and provides the following services for the County: general administration, judicial, legal, financial administration, public facilities, public safety, health and welfare, conservation, culture and recreation, and miscellaneous services. The combined financial statements of Hardin County, Texas (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The County's combined financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in accounting standards promulgated by GASB, include whether:

- The organization is legally separate (can sue and be sued in its name).
- The County holds the corporate powers of the organization.
- The County appoints a voting majority of the organization's board.
- The County is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the County.
- There is fiscal dependency by the organization on the County.

Based upon the application of these criteria, the County has no component units.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities, if appropriate (such as buildings and infrastructure, including roads and bridges, and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter, as is the case with the modified accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the consolidation process.

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities

The government-wide statement of activities reports expenses and revenue in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (such as user charges or intergovernmental grants).

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

HARDIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of the state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets throughout the year for a variety of reasons. Governments will provide certain budgetary comparison information in their annual reports.

Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the new reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements). Typically, both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. The County reports only governmental type activities within the basic financial statements. In the government-wide Statement of Net Position, governmental activities are presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, public safety, public works, etc.), which are otherwise being supported by general government revenues (property taxes, intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function (general administration, public safety, public works, etc.).

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource basis and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental activities column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the primary government, these funds are not incorporated into the government-wide statements. Since the County only reports agency funds, a statement of changes in fiduciary net position is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net position.

The focus of the revised reporting model is on the County as a whole and the fund financial statements, including the major individual funds of the governmental funds, as well as the fiduciary funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. A description of the various funds follows.

The County reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, and various other taxes and fees. The primary expenditures are for general administration, judicial, financial administration, and public safety.

HARDIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Road and Bridge (Regular and Special) Fund

This fund is used to account for the maintenance and support of the County's public works. The primary revenue sources are ad valorem taxes and licenses and permits. The primary expenditures are for road maintenance and construction.

Interest and Sinking Fund

This fund is used to account for receipt and disbursement of funds to retire debt resulting from the issuance of general obligation bonds. Financing is provided by a specific annual property tax levy and the investment interest earned thereon.

Emergency Management Services Fund

This fund is used to account for disaster related and prevention funding through state and federal grants that are restricted for use for a particular purpose.

In addition, the County reports the following non-major governmental funds:

Special Revenue Funds

These funds are used to account for specific revenue sources (other than capital projects) that are restricted to expenditures for specific purposes. These restrictions exist both externally (by agreement with other entities or by statute) and internally (by policy of Commissioners' Court).

The County reports the following fiduciary fund:

Agency Fund

Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the County holds on behalf of others. The County maintains the following accounts:

1. *County Clerk-Registry of the Court.* Funds held by the County Clerk, pending release by the County court system.
2. *District Clerk-Registry of the Court.* Funds held by the District Clerk, pending release by the District court system.
3. *Adult Probation-Restitution.* Restitution funds held, pending release to the claimants.
4. *County Attorney-Restitution.* Restitution funds held, pending release to the claimants.
5. *District Attorney-Restitution.* Restitution funds held, pending release to the claimants.
6. *District Attorney-Comptroller Account.* State funds held by the District Attorney to supplement the administrative expenses of the District Attorney's office.
7. *Inmate Trust Account.* Funds held by the County on behalf of the jail inmate to be used to acquire miscellaneous allowed supplies for personal use.
8. *Tax Assessor Collector-RTS.* Taxes and fees collected by the County to be remitted to the State Comptroller.
9. *Tax Assessor Collector-Ad Valorem Taxes.* Taxes collected for various taxing entities, pending distribution of remaining balances.
10. *Tax Assessor Collector-V.I.T.* Taxes collected from various vehicle dealerships and held in escrow until tax assessment.
11. *Tax Assessor Collector-Voter Registrar.* Funds received from the state, pending reimbursement to approved expenditures incurred by the County.

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

HARDIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

b. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in fund balances.

The government-wide financial statements are reported using 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the governmental fund types are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting revenues are recognized when they become susceptible to accrual (i.e., both measurable and available.) Available means collectible within the current year or soon enough thereafter to pay liabilities within 60 days of the end of the current fiscal period. Substantially all revenues, except property taxes and fines, are considered to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as expenditures when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Amounts reported as program revenues include 1) charges or fees to citizens for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Revenues that are generated internally are reported as general revenues, including property taxes.

The fiduciary fund financial statements have no measurement focus since they consist solely of agency funds and are accounted for on the accrual basis.

3. New Accounting Standards Adopted

In fiscal year 2015, the County adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

HARDIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the County's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the County's governmental fund financial statements, which continue to report expenditures in the contribution amount determined annually by the actuary for TCDRS. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the County's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014, was decreased by \$3,484,359 to reflect the cumulative effect of adoption. The net pension liability of \$4,517,807 and the deferred outflows of resources of \$1,033,448 at September 30, 2014, were reported as a prior period adjustment to the net position on October 1, 2014. Refer to Note K for more information regarding the County's pensions.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not

HARDIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the County's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the County's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the County's fiscal year-end, the effects from the County's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

- TCDRS – The beginning deferred outflow includes contributions from January 1, 2014, through September 30, 2014, totaling \$1,033,448.

B. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

Short-term investments for the County are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. All property taxes receivable historically experience uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets are defined by the County as assets with an initial, individual or composite single group purchase cost of \$5,000 or more and a useful life of two or more years. Depreciation is recorded on capital assets on a government-wide basis. Major outlays for capital assets and improvements are capitalized as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at the government-wide levels.

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

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

Land and improvements and construction in progress are not depreciated.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations.

Capital assets are being depreciated over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	5-40
Buildings	20-50
Improvements other than Buildings	15-20
Machinery and Equipment	3-30

5. Compensated Absences

The vacation, compensatory time, and holiday time policy of the County provides for the accumulation of various specified days earned, depending on tenure with the County, with such leave being fully vested when earned. Although employees are encouraged to take vacation in the year earned, payment of accrued vacation time is eligible to employees who separated from the County. For the County's government-wide statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statement.

The County's sick leave policy provides for a specified accumulation of earned sick leave. Accumulated sick leave is not compensated upon resignation, retirement, or dismissal. Since the County does not have any obligation of accumulated sick leave until it is taken, no accruals for sick leave have been made.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category on the government-wide statements, they include deferred charge on refunding and deferred outflow for pensions. A deferred charge on refunding results from the difference in the reacquisition price over the carrying value of the refunded debt. The County's deferred charge on refunding is \$39,537. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow for pensions results for the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The County's deferred outflows on pensions is \$1,581,409. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees.

HARDIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

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

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Net Position Flow Assumption

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

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

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 NOTES TO THE FINANCIAL STATEMENTS
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11. Estimates

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

C. Compliance and Accountability

1. Budgets

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

- a. Prior to September 1, the County Judge submits to the Commissioner's Court a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures by function and the means of financing them.
- b. Prior to October 1, the budget is legally enacted through passage of a resolution.
- c. The County Judge may approve a department's request to transfer an unencumbered balance, or portion thereof within any department; however, Commissioner's Court must approve a transfer of funds between departments.
- d. Budgets for the General Fund, Road and Bridge (Regular and Special) Fund, and various nonmajor funds are adopted on an annual budgetary basis. Special Revenue Funds relative to grants are budgeted on a project period basis.

2. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Available funds are encumbered during the year upon execution of purchase orders, contracts, or other appropriate documents in order to reserve that portion of the applicable appropriation. As all encumbrances lapse at year end, those encumbrances (e.g. purchase orders, contracts) outstanding at September 30 must be reappropriated in the budget of the subsequent year.

D. Deposits and Investments

1. Cash Deposits

The County's funds are required to be deposited under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities 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.

The County's cash and cash equivalents at September 30, 2015 are summarized as follows:

	Carrying Amount
Cash Deposits	\$ 6,161,288
Investments considered cash and cash equivalents:	
Texpool	2,000,752
Total Cash and Cash Equivalents	\$ 8,162,040

2. Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing

HARDIN COUNTY, TEXAS
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County's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the County.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (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, and (10) common trust funds.

While state statutes allow for additional investments, the County's formal investment policy authorizes the County to only invest in the following: (1) fully collateralized certificate of deposits, (2) fully collateralized interest-bearing checking accounts, (3) United States Treasury Securities, (4) obligations of the United States or its agencies and instrumentalities, with a legal stated maturity of no more than twelve (12) months, (5) investment pool(s) allowable under the Public Investment Act and that hold a rating consistent with 2256.019 of the Government Code.

3. Analysis of Specific Deposit and Investment Risks

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. It is the County's policy to focus on safety and liquidity. The current policy is to invest only in investment pools. At year end, the County was not significantly exposed to credit risk. As of September 30, 2015, the government's investment in investment pools were rated at least AAAm by Standard & Poor's.

b. Custodial Credit Risk

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of September 30, 2015, the County's bank balance of \$6,233,348 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the County's agent and in the County's name.

Custodial credit risk – investments. For an investment, 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. The County is not exposed to custodial risk due to the investments are insured or registered, or securities held by the County or its agent in the County's name.

c. Concentration of Credit Risk

The County's investment policy does not have any provisions regarding the amount that may be invested in any one issuer. However, the Investment Officer has only invested in interest-bearing checking accounts and the state investment pool. All of these accounts are fully collateralized.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its exposure to declines in fair value by limiting the maturity of its investments to less than one year at the time of purchase.

HARDIN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
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E. Receivables

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2015 are as follows:

Approximately 79% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

Total uncollectible amounts related to revenues of the current period increased (decreased) revenue as follows:

Uncollectibles Related to General Fund Property Taxes	\$	(2,400)
Uncollectibles Related to Road and Bridge Fund Property Taxes		300
Uncollectibles Related to Jury Fund Property Taxes		(100)
Uncollectibles Related to Interest and Sinking Fund Property Taxes		500
Total Uncollectibles of the Current Fiscal Year	\$	<u>(1,700)</u>

F. Property Taxes

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

1. 2014 Tax Year

Property taxes are prorated between the General, Road and Bridge (Regular and Special), Jury, and Interest and Sinking Funds based on rates adopted for the year of the levy. For the 2015 fiscal year (2014 tax year), the County levied property taxes of \$0.5600 per \$100 of assessed valuation. The 2014 rates resulted in total tax levies of approximately \$15.70 million based on a total adjusted valuation of approximately \$2.8 billion. The total tax rate in the 2014 tax year was prorated as follows:

		2014
		Rate
General Fund	\$	0.456665
Road and Bridge (Regular and Special)		0.016657
Jury Fund		0.076240
Interest and Sinking Fund		0.010439
Total Tax Rate	\$	<u>0.560000</u>

2. Hardin County Appraisal District

Hardin County Appraisal District ("HCAD"), a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County. The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of market value. The value of real property within the Appraisal District must be reviewed every five years; however, the County may, at its own expense, require annual reviews of appraisal values.

G. Interfund Receivables, Payables, and Transfers

Receivables/Payables

At September 30, 2015, the interfund receivables and payables were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 88,934
Road and Bridge (Regular and Special)	226,046	-
Interest and Sinking Fund	-	85,999
Emergency Management Services	16,192	-
Nonmajor Governmental Funds	444,571	511,876
Totals	\$ <u>686,809</u>	\$ <u>686,809</u>

HARDIN COUNTY, TEXAS
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Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the County’s transfers for the year ended September 30.

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Emergency Management Services	\$ 141,856
General Fund	Nonmajor Governmental Funds	272,699
Nonmajor Governmental Funds	General Fund	7,059
Road and Bridge Fund	General Fund	421,825
Totals		\$ 843,439

Transfers are used to move unassigned general fund revenues to supplement various programs that the County must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The transfer from road and bridge fund to the general fund was a commissioner’s court approved reimbursement to the general fund.

H. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 438,414	\$ 53,503	\$ -	\$ 491,917
Construction in progress	-	9,280	-	9,280
Total Capital Assets, not being Depreciated	438,414	62,783	-	501,197
Capital Assets, being Depreciated:				
Buildings	8,708,517	-	-	8,708,517
Improvements Other Than Buildings	805,445	-	-	805,445
Machinery and Equipment	6,756,595	1,054,781	(280,928)	7,530,448
Infrastructure	22,135,468	-	-	22,135,468
Total Capital Assets, being Depreciated	38,406,025	1,054,781	(280,928)	39,179,878
Less Accumulated Depreciation for:				
Buildings	(5,060,698)	(114,884)	-	(5,175,582)
Improvements Other Than Buildings	(365,098)	(39,520)	-	(404,618)
Machinery and Equipment	(4,692,428)	(561,541)	280,928	(4,973,041)
Infrastructure	(19,214,400)	(85,602)	-	(19,300,002)
Total Accumulated Depreciation	(29,332,624)	(801,547)	280,928	(29,853,243)
Total Capital Assets, being Depreciated, net	9,073,401	253,234	-	9,326,635
Governmental Activities Capital Assets, net	\$ 9,511,815	\$ 316,017	\$ -	\$ 9,827,832

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 122,127
Public Safety	370,227
Public Works	296,309
Culture and Recreation	12,884
Total Depreciation Expense-Governmental Activities	\$ 801,547

HARDIN COUNTY, TEXAS
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I. Long-Term Liabilities

The County's long-term liabilities consist of bond indebtedness, note payable, compensated absences and retiree health insurance and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the interest and sinking fund. The current requirements for the notes payable are accounted for in the Road and Bridge (Regular and Special) Fund and nonmajor special revenue funds. The current requirement for compensated absences and retiree health insurance are accounted for in the general fund. Net pension liability current requirements are accounted for county-wide. In prior years, the governmental funds have been used to liquidate any other long-term liability not accounted for in the interest and sinking fund.

A summary of long-term liability transactions of the County for the year ended September 30, 2015, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 2,360,000	\$ -	\$ (235,000)	\$ 2,125,000	\$ 240,000
Less Deferred Amounts:					
For Issuance Premium	98,098	-	(11,319)	86,779	-
Total Bonds Payable, Net	2,458,098	-	(246,319)	2,211,779	240,000
Notes Payable	240,559	-	(93,980)	146,579	75,245
Compensated Absences	422,849	968,677	(934,054)	457,472	457,472
Retiree Health Insurance (OPEB)	285,468	102,103	(57,973)	329,598	-
Net Pension Liability*	4,517,807	7,344,972	(7,048,978)	4,813,801	-
Governmental Activity Long-term Liabilities	\$ 7,924,781	\$ 8,415,752	\$ (8,381,304)	\$ 7,959,229	\$ 772,717

*Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at October 1, 2014.

General Obligation Bonds

The County issues general obligation bonds to provide funds for the construction and renovation of County facilities and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are issued as 1-9 year current interest bonds with various amounts of principal maturing each year. The following is a summary of the changes in the general obligation bonds for the fiscal year.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2014 REF	2.00-3.00%	2,390,000	2023	2,360,000	-	(235,000)	2,125,000
Totals				\$ 2,360,000	\$ -	\$ (235,000)	\$ 2,125,000

Annual interest and sinking requirements for general obligations to maturity are summarized as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 240,000	\$ 52,890	\$ 292,890
2017	250,000	45,690	295,690
2018	255,000	38,190	293,190
2019	265,000	30,540	295,540
2020	270,000	22,590	292,590
2021	275,000	17,190	292,190
2022	280,000	11,690	291,690
2023	290,000	6,090	296,090
Totals	\$ 2,125,000	\$ 224,870	\$ 2,349,870

As of September 30, 2015, the County did not have any authorized, but unissued bonds.

In prior years, the County defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future interest and sinking payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the County's basic financial statements. As of September 30, 2015 the County had no outstanding defeased bonds.

HARDIN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
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J. Notes Payable

The County issued a notes payable for the purchase of machinery and vehicles. These notes are collateralized and secured by the purchased items.

The following is a summary of changes in the notes payable during the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Gradall XL 3100	3.54%	\$ 273,310	2018	\$ 151,569	\$ -	\$ (39,409)	\$ 112,160
2014 F-350 Passenger Van	2.24%	24,312	2018	20,901	-	(20,901)	-
2014 Tiger Mower	2.20%	102,518	2016	68,089	-	(33,670)	34,419
Total Notes Payable				\$ 240,559	\$ -	\$ (93,980)	\$ 146,579

Annual interest and sinking requirements to maturity for the notes payable are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2016	\$ 75,245	\$ 4,077	\$ 79,322
2017	42,295	1,843	44,138
2018	29,039	387	29,426
Totals	\$ 146,579	\$ 6,307	\$ 152,886

K. Pension Plan

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 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 PO Box 2034, Austin, TX 78768-2034.

2. Benefits Provided

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with eight or more years of serviced at age 60 and above, with 20 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 eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court of the County 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The Plan is open to new entrants.

HARDIN COUNTY, TEXAS
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3. Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	139
Active employees	265

4. Contributions

Hardin County has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 14.00 percent and \$1,429,402 for the calendar year 2014.

The deposit rate payable by the employee member for calendar year 2014 was 7.0 percent as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

5. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth	3.50%
Real rate of return	5.00%
Long-term investment return	8.00%

The actuarial assumptions that determined the total pension liability as of December 31, 2014, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012. In addition, mortality rates were based on the following mortality tables:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disable retirees	RP-2000 Disable Mortality Table for males with no age adjustment and RP-2000 Disable Mortality Table for females with a two-year set forward, both with the projection scale AA.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities	16.50 %	5.35%
Private Equity	12.00	8.35%
Global Equities	1.50	5.65%
International Equities - Developed	11.00	5.35%
International Equities - Emerging	9.00	6.35%
Investment Grade Bonds	3.00	0.55%
High-Yield Bonds	3.00	3.75%
Opportunistic Credit	5.00	5.54%
Direct Lending	2.00	5.80%
Distressed Debt	3.00	6.75%
REIT Equities	2.00	4.00%
Commodities	2.00	-0.20%
Master Limited Partnerships	2.00	5.30%
Private Real Estate Partnerships	3.00	7.20%
Hedge Funds	25.00	5.15%
Total	100.00 %	

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employee is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the net pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

HARDIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

6. Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2013	\$ 44,606,105	\$ 40,088,298	\$ 4,517,807
Changes for the year:			
Service Cost	1,439,621	-	1,439,621
Interest	3,586,023	-	3,586,023
Effect of economic demographic gains or losses	141,350	-	141,350
Refund of contributions	(96,807)	(96,807)	-
Benefit payments	(2,024,507)	(2,024,507)	-
Administrative expenses	-	(31,943)	31,943
Member contributions	-	715,212	(715,212)
Net investment income	-	2,783,050	(2,783,050)
Employer contributions	-	1,429,402	(1,429,402)
Other changes	-	(24,721)	24,721
Net changes	<u>3,045,680</u>	<u>2,749,686</u>	<u>295,994</u>
Balances at December 31, 2014	<u>\$ 47,651,785</u>	<u>\$ 42,837,984</u>	<u>\$ 4,813,801</u>

Sensitivity Analysis:

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
County's net pension liability	\$ 10,453,156	\$ 4,813,801	\$ 127,411

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$1,216,540.

At September 30, 2015, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,080	\$ -
Net difference between projected and actual earnings on pension plan investments	395,776	-
Contributions made subsequent to the measurement date	1,072,553	-
Totals	<u>\$ 1,581,409</u>	<u>\$ -</u>

HARDIN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

The \$1,072,553 reported as deferred outflows of resources related to pensions from County contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 127,214
2017	127,214
2018	127,214
2019	127,214

L. Other Postemployment Benefits Plan

1. Plan Description

Permanent full-time employees of the County who were hired before October 1, 2012 and are retiring under TCDRS with 30 consecutive years of service are eligible to participate in the retiree health care plan, a single employer plan, with the cost to Hardin County until the retiree reaches age 65. At age 65, when employees become eligible for Medicare, the County will pay the premium for a Medicare supplement policy. The retiree pays Medicare Part B premiums.

Permanent full-time employees of the County who retire prior to October 1, 2012 with less than 30 consecutive years of service are eligible to participate in the Medicare supplement policy for themselves and any eligible dependents at their own expense.

2. Funding Policy

The County has elected to fund the retiree health care benefits using the pay-as-you-go (or cash disbursement) method. The County's annual contribution for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees. This method of funding will result in increasing contributions over time. Per capita cash disbursements will tend to increase from year to year as the cost of health care services, or the utilization of these services increase.

A retiree health care plan is similar to a defined benefit pension plan, in that promises are made to employees to provide to them with a benefit payable at some future date. For defined benefit pension plan sponsors, a common funding objective is to contribute annual amounts to a fund which will i) remain level as a percentage of active member payroll, and ii) when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Plan to current and future retirees.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to reconcile the often conflicting needs of benefit security for members and fiscal responsibility for the County. Currently, Hardin County has not established a trust to pay retiree health benefits; therefore, a separate GAAP basis post-employment benefit plan report is not available.

HARDIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

3. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The County had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2009 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2015, is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB cost:			
Annual Required Contribution (ARC)	\$ 105,953	\$ 105,953	\$ 93,157
Interest on Prior Year Net OPEB Obligation	14,273	12,266	5,943
Adjustment to the ARC	<u>(18,123)</u>	<u>(15,574)</u>	<u>(7,546)</u>
Annual OPEB Cost	<u>102,103</u>	<u>102,645</u>	<u>91,554</u>
Employer Contributions	<u>(57,973)</u>	<u>(62,501)</u>	<u>(29,388)</u>
Total Contributions	<u>(57,973)</u>	<u>(62,501)</u>	<u>(29,388)</u>
Net OPEB Obligation Increase (Decrease)	44,130	40,144	62,166
Net OPEB Obligation - October 1	<u>285,468</u>	<u>245,324</u>	<u>183,158</u>
Net OPEB Obligation - September 30	<u>\$ 329,598</u>	<u>\$ 285,468</u>	<u>\$ 245,324</u>
Percentage of Annual OPEB Cost Contributed	56.78%	60.89%	32.10%

4. Funded Status and Funding Progress

The funded status of the plan based on an actuarial update using age-adjusted premiums as of December 31, 2013, was as follows:

Actuarial Valuation Date as of December 31	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll (b-a)/(c)
2013	\$ -	\$ 851,222	\$ 851,222	0.00%	\$ 8,606,588	9.89%

Under the reporting parameters, the County's retiree health plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$851,222 at December 31, 2013.

The Schedule of Other Postemployment Benefits Plan (OPEB) Funding Progress, which is found in the Required Supplementary Information immediately following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

5. Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

HARDIN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

The following is a summary of the actuarial assumptions:

Actuarial valuation date	10/01/2011	10/01/2013
Actuarial cost method	Projected unit credit cost method	Projected unit credit cost method
Amortization method	Level as a percentage of payroll	Level as a percentage of payroll
Amortization period	Level 30 year period	Level 30 year period
Discount rate	5.00% (2.00% real rate of return, 3.00% inflation)	5.00% (2.00% real rate of return, 3.00% inflation)
Payroll growth rate	3.00%	3.00%
Mortality table	RP - 200 Combined Table Male/Female	RP - 200 Combined Table M/F Projection AA 2015

M. Commitments and Contingencies

1. 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 collectability 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 basic financial statements for such contingencies.

2. Litigation

The County is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the County as of September 30, 2015.

N. Risk Management

The County is exposed to various risks of losses related to torts, theft of, damage to and destruction of capital assets; errors and omission; injuries to employees; and natural disasters. The County participates in the Texas Association of Counties Risk Management Pool ("the Pool") created by interlocal agreement to obtain coverage against various types of risk. The Pool is administered by the Texas Association of Counties (TAC). Through this pool, the County obtains general liability, property, public officials' liability, law enforcement professional liability, auto physical damage, auto liability, and workers' compensation coverage.

The County also participates in the Texas Association of Counties Health and Employee Benefits Pool administered by TAC. The County contributes a minimum of \$780 per month for each employee who elects medical coverage. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years. The County does not retain risk of loss for participation in any risk pool.

O. Prior Period Adjustment

Net position at October 1, 2014 was restated per the following table for the implementation of GASB 68 and GASB 71 and an adjustment for a grant reimbursement:

	Governmental Activities
Beginning Net Position, as Previously Reported	\$ 14,902,798
Implementation of GASB 68 and 71 for Pensions	(3,484,359)
Prior Period Adjustment (FEMA Grant Reimbursement)	(464,477)
Beginning Net Position, Restated	\$ 10,953,962

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES:						
Taxes	\$ 13,062,554	\$ 13,062,554	\$ 13,146,569	\$ -	\$ 13,146,569	\$ 84,015
Intergovernmental	96,400	96,400	159,756	-	159,756	63,356
Fines and Fees	1,089,566	1,093,216	1,112,429	-	1,112,429	19,213
Contributions	1,600	12,616	12,816	-	12,816	200
Licenses and Permits	86,300	86,300	98,141	-	98,141	11,841
Miscellaneous	92,500	92,500	68,952	-	68,952	(23,548)
Interest	10,545	10,545	6,206	-	6,206	(4,339)
Total Revenues	14,439,465	14,454,131	14,604,869	-	14,604,869	150,738
EXPENDITURES:						
Current:						
General Administration	2,326,996	1,574,150	1,459,789	(5,749)	1,454,040	114,361
Judicial	2,546,731	2,573,917	2,462,027	(9,066)	2,452,961	111,890
Legal	546,153	546,153	542,877	(2,067)	540,810	3,276
Financial Administration	1,438,063	1,840,497	1,788,695	(2,785)	1,785,910	51,802
Public Facilities	748,211	808,211	793,099	(861)	792,238	15,112
Public Safety	6,413,391	6,424,426	5,988,348	(11,008)	5,977,340	436,078
Health and Welfare	637,799	680,225	705,046	2,660	707,706	(24,821)
Conservation	74,234	74,234	68,669	(754)	67,915	5,565
Culture and Recreation	77,657	77,657	64,760	-	64,760	12,897
Miscellaneous	22,166	22,148	18,017	-	18,017	4,131
Total Expenditures	14,831,401	14,621,618	13,891,327	(29,630)	13,861,697	730,291
Excess (Deficiency) of Revenues Over (Under) Expenditures	(391,936)	(167,487)	713,542	29,630	743,172	881,029
OTHER FINANCING SOURCES (USES):						
Transfers In	-	279,452	428,884	-	428,884	149,432
Transfers Out	-	-	(414,555)	-	(414,555)	(414,555)
Total Other Financing Sources (Uses)	-	279,452	14,329	-	14,329	(265,123)
Net Change in Fund Balances	(391,936)	111,965	727,871	29,630	757,501	615,906
Fund Balances - Beginning	4,453,567	4,453,567	4,453,567	(386,838)	4,066,729	-
Prior Period Adjustment	-	-	(464,477)	-	(464,477)	(464,477)
Fund Balances - Beginning, as restated	4,453,567	4,453,567	3,989,090	(386,838)	3,602,252	(464,477)
Fund Balances - Ending	4,061,631	4,565,532	4,716,961	(357,208)	4,359,753	151,429
	\$	\$	\$	\$	\$	\$

Explanation of Differences:

The County budgets for certain revenues/expenditures on the budgetary basis, rather than on the modified accrual basis:
Payroll Accruals \$ (29,630)

HARDIN COUNTY, TEXAS
ROAD AND BRIDGE (REGULAR AND SPECIAL)
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-2

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES:						
Taxes	\$ 2,162,636	\$ 2,162,636	\$ 2,189,582	\$ -	\$ 2,189,582	\$ 26,946
Fines and Fees	412,988	412,988	462,974	-	462,974	49,986
Licenses and Permits	1,632,846	1,632,846	1,816,683	-	1,816,683	183,837
Miscellaneous	-	-	1,814	-	1,814	1,814
Total Revenues	<u>4,208,470</u>	<u>4,208,470</u>	<u>4,471,053</u>	<u>-</u>	<u>4,471,053</u>	<u>262,583</u>
EXPENDITURES:						
Debt Service:						
Principal	73,079	73,079	73,079	-	73,079	-
Interest Expense	6,243	6,243	6,243	-	6,243	-
Road and Bridge:						
County Wide						
Commissioner - Pct. 1	456,373	463,313	457,401	(2,143)	455,258	5,912
Commissioner - Pct. 2	927,199	1,052,731	669,904	(2,377)	667,527	382,827
Commissioner - Pct. 3	1,558,496	1,581,182	1,380,170	(1,382)	1,378,788	201,012
Commissioner - Pct. 4	1,576,166	1,558,853	1,149,124	(2,026)	1,147,098	409,729
Total Expenditures	<u>5,215,140</u>	<u>5,350,672</u>	<u>4,126,632</u>	<u>(6,981)</u>	<u>4,119,651</u>	<u>224,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,006,670)</u>	<u>(1,142,202)</u>	<u>344,421</u>	<u>6,981</u>	<u>351,402</u>	<u>1,486,623</u>
OTHER FINANCING SOURCES (USES):						
Transfers Out	-	-	(421,825)	-	(421,825)	(421,825)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(421,825)</u>	<u>-</u>	<u>(421,825)</u>	<u>(421,825)</u>
Net Change in Fund Balances	<u>(1,006,670)</u>	<u>(1,142,202)</u>	<u>(77,404)</u>	<u>6,981</u>	<u>(70,423)</u>	<u>1,064,798</u>
Fund Balances - Beginning	1,394,642	1,394,642	1,394,642	(81,657)	1,312,985	-
Fund Balances - Ending	<u>387,972</u>	<u>252,440</u>	<u>1,317,238</u>	<u>(74,676)</u>	<u>1,242,562</u>	<u>1,064,798</u>

Explanation of Differences:

The County budgets for certain revenues/expenditures on the budgetary basis, rather than on the modified accrual basis:
 Payroll Accruals \$ (6,981)

HARDIN COUNTY, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015****EXHIBIT B-3**

	<u>2015*</u>
Total Pension Liability:	
Service Cost	\$ 1,439,621
Interest (on the Total Pension Liability)	3,586,023
Changes of benefit terms	-
Difference between expected and actual experience	-
Effect of economic/demographic (gains) or losses	141,350
Benefit payments, including refunds of employee contributions	<u>(2,121,314)</u>
Net Change in Total Pension Liability	3,045,680
Total Pension Liability - Beginning	<u>44,606,105</u>
Total Pension Liability - Ending (a)	<u>47,651,785</u>
 Plan Fiduciary Net Position:	
Contributions - County	1,429,402
Contributions - Employee	715,212
Net Investment Income	2,783,050
Benefit payments, including refunds of employee contributions	(2,121,314)
Administrative Expense	(31,943)
Other	<u>(24,721)</u>
Net Change in Plan Fiduciary Net Position	2,749,686
Plan Fiduciary Net Position: Beginning	<u>40,088,298</u>
Plan Fiduciary Net Position: Ending (b)	<u>42,837,984</u>
 Net Pension Liability - Ending (a) - (b)	 \$ <u>4,813,801</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 89.90%
 Covered Employee Payroll	 \$ 10,217,310
 Net Pension Liability as a Percentage of Covered Employee Payroll	 47.11%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying notes to the required supplementary information.

HARDIN COUNTY, TEXAS**SCHEDULE OF COUNTY CONTRIBUTIONS TO TEXAS COUNTY AND DISTRICT
RETIREMENT SYSTEM (TCDRS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015****EXHIBIT B-4**

	<u>2015*</u>
Actuarially Determined Contribution	\$ 1,429,402
Contributions in Relation to Actuarially Determined Contribution	<u>(1,429,402)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>
 Covered-Employee Payroll	 10,217,310
 Contributions as a Percentage of Covered Employee Payroll	 14.00%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying notes to the required supplementary information.

HARDIN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)

SEPTEMBER 30, 2015

(UNAUDITED)

Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
October 1						
2009	\$ -	\$ 568,763	0.00%	\$ 568,763	\$ 9,170,270	6.20%
2011	-	712,050	0.00%	712,050	9,398,971	7.58%
2013	-	851,222	0.00%	851,222	8,606,588	9.89%

HARDIN COUNTY, TEXAS

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Budgets and Budgetary Accounting

The County reports the following major governmental funds with a legally adopted budget:

- General Fund
- Road and Bridge (Regular and Special)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (excluding year end wage and fringe accruals) for the following governmental funds: the General Fund, Interest and Sinking Fund, Road and Bridge (Regular and Special), Jury, Lateral Road, County Clerk Preservation Fees, District Clerk Preservation Fees, Law Library, Court Security Fees, and Records Management. All other governmental funds are unbudgeted. All annual appropriations lapse at fiscal year end.

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

1. On or before the first day of August each year, the County Budget Officer shall submit to the County Court a budget estimate of the revenues of the County and the expenditures or expenses of conducting the affairs thereof for the ensuing year.
2. On receipt of the estimate, the County Court shall at once prepare an appropriation ordinance using the estimate as a basis. Provisions shall be made for public hearings on the appropriation ordinance before a committee of the County Court, or before the entire County Court.
3. Following the public hearing, and before the second reading and final passage, the appropriation ordinance shall be published in the newspaper of the County.
4. The County Court shall not pass the appropriation ordinance until at least ten days after its publication, but shall pass the appropriation ordinance no later than September 30 of each year.
5. The legal level of control is by fund level where the County Court's approval is required. The County Court may transfer unencumbered appropriations for the use of a department, division or purpose or any other department, division or purpose without public notice and public hearing except when such transfer shall be made of revenue or earnings of any non-tax supported public utility to any other purpose. No amendment is necessary if department expenditures exceed budget, as long as fund expenditures do not exceed the fund budget.
6. All budgetary data is prepared using the budget basis of accounting.
7. For the year ended September 30, 2015, the general fund expenditures exceeded its appropriations in the following departments:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	Health and Welfare	\$ 680,225	\$ 705,046	\$ (24,821)

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COMBINING FUND FINANCIAL STATEMENTS

HARDIN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Records Management and Preservation	Dare Program	Law Library
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ -	\$ 7,892	\$ -
<i>Property Taxes Receivable</i>	-	-	-
<i>Allowance for Uncollectible Taxes</i>	-	-	-
<i>Other Receivables</i>	-	-	-
<i>Due from Other Funds</i>	302,431	-	2,805
Total Assets	<u>\$ 302,431</u>	<u>\$ 7,892</u>	<u>\$ 2,805</u>
LIABILITIES:			
<i>Accounts Payable</i>	\$ 21	\$ -	\$ 2,805
<i>Accrued Payroll and Related Fringes</i>	-	-	-
<i>Due to Other Funds</i>	-	-	-
<i>Accrued Expenditures</i>	-	-	-
<i>Unearned Revenue</i>	-	-	-
Total Liabilities	<u>21</u>	<u>-</u>	<u>2,805</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Revenue - Property Taxes</i>	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
<i>Restricted for Special Revenue Funds</i>	302,410	7,892	-
<i>Committed for Special Revenue Funds</i>	-	-	-
Total Fund Balances	<u>302,410</u>	<u>7,892</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 302,431</u>	<u>\$ 7,892</u>	<u>\$ 2,805</u>

<u>Lateral Roads</u>	<u>Justice Court Technology</u>	<u>Drug Forfeiture Rehab</u>	<u>County Attorney Overdrawn</u>
\$ 293,996	\$ -	\$ 3,985	\$ 15,195
-	-	-	-
-	-	-	364
-	-	-	1,239
<u>\$ 293,996</u>	<u>\$ -</u>	<u>\$ 3,985</u>	<u>\$ 16,798</u>
\$ -	\$ -	\$ -	\$ 217
-	-	-	-
30,571	-	-	-
-	-	-	-
-	-	-	-
<u>30,571</u>	<u>-</u>	<u>-</u>	<u>217</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
263,425	-	3,985	16,581
-	-	-	-
<u>263,425</u>	<u>-</u>	<u>3,985</u>	<u>16,581</u>
<u>\$ 293,996</u>	<u>\$ -</u>	<u>\$ 3,985</u>	<u>\$ 16,798</u>

Continued

HARDIN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>District Attorney Overdrawn</u>	<u>Jury Fund</u>	<u>Hardin County LEPC</u>
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 889	\$ 65,870	\$ 3,743
<i>Property Taxes Receivable</i>	-	52,768	-
<i>Allowance for Uncollectible Taxes</i>	-	(1,600)	-
<i>Other Receivables</i>	-	12,477	-
<i>Due from Other Funds</i>	-	91,191	-
Total Assets	<u>\$ 889</u>	<u>\$ 220,706</u>	<u>\$ 3,743</u>
LIABILITIES:			
<i>Accounts Payable</i>	\$ -	\$ 30,906	\$ -
<i>Accrued Payroll and Related Fringes</i>	-	737	-
<i>Due to Other Funds</i>	-	-	-
<i>Accrued Expenditures</i>	-	-	-
<i>Unearned Revenue</i>	-	-	-
Total Liabilities	<u>-</u>	<u>31,643</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Revenue - Property Taxes</i>	-	51,168	-
Total Deferred Inflows of Resources	<u>-</u>	<u>51,168</u>	<u>-</u>
FUND BALANCES:			
<i>Restricted for Special Revenue Funds</i>	889	137,895	3,743
<i>Committed for Special Revenue Funds</i>	-	-	-
Total Fund Balances	<u>889</u>	<u>137,895</u>	<u>3,743</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 889</u>	<u>\$ 220,706</u>	<u>\$ 3,743</u>

<u>Emergency Family Service</u>	<u>District Attorney Seizure Fund</u>	<u>Drug Forfeiture D.A.</u>	<u>Drug Forfeiture State</u>
\$ -	\$ 106,817	\$ 8,213	\$ 34,300
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 106,817</u>	<u>\$ 8,213</u>	<u>\$ 34,300</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-
-	-	-	-
-	106,817	-	-
-	-	-	-
<u>-</u>	<u>106,817</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	8,213	34,300
-	-	-	-
<u>-</u>	<u>-</u>	<u>8,213</u>	<u>34,300</u>
<u>\$ -</u>	<u>\$ 106,817</u>	<u>\$ 8,213</u>	<u>\$ 34,300</u>

Continued

HARDIN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>County Attorney Forfeiture</u>	<u>Assistant Prosecutors' Longevity Pay</u>	<u>County Attorney Supplement</u>
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 1,754	\$ -	\$ 77,956
<i>Property Taxes Receivable</i>	-	-	-
<i>Allowance for Uncollectible Taxes</i>	-	-	-
<i>Other Receivables</i>	-	-	-
<i>Due from Other Funds</i>	-	3	12,798
Total Assets	<u>\$ 1,754</u>	<u>\$ 3</u>	<u>\$ 90,754</u>
LIABILITIES:			
<i>Accounts Payable</i>	\$ -	\$ 3	\$ -
<i>Accrued Payroll and Related Fringes</i>	-	-	-
<i>Due to Other Funds</i>	-	-	-
<i>Accrued Expenditures</i>	-	-	-
<i>Unearned Revenue</i>	-	-	70,000
Total Liabilities	<u>-</u>	<u>3</u>	<u>70,000</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Revenue - Property Taxes</i>	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
<i>Restricted for Special Revenue Funds</i>	1,754	-	20,754
<i>Committed for Special Revenue Funds</i>	-	-	-
Total Fund Balances	<u>1,754</u>	<u>-</u>	<u>20,754</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,754</u>	<u>\$ 3</u>	<u>\$ 90,754</u>

Constitutional County Judge Supplement	Court Security Fees	Sheriff's Federal Equitable Share	Jail Commissary
\$ 2,489	\$ -	\$ 33,194	\$ 24,813
-	-	-	-
-	-	-	-
-	-	-	-
6,533	16	-	-
<u>\$ 9,022</u>	<u>\$ 16</u>	<u>\$ 33,194</u>	<u>\$ 24,813</u>
\$ -	\$ 16	\$ -	\$ 99
-	-	-	-
-	-	-	3,284
-	-	-	-
9,022	-	-	-
<u>9,022</u>	<u>16</u>	<u>-</u>	<u>3,383</u>
-	-	-	-
-	-	-	-
-	-	33,194	-
-	-	-	21,430
-	-	<u>33,194</u>	<u>21,430</u>
<u>\$ 9,022</u>	<u>\$ 16</u>	<u>\$ 33,194</u>	<u>\$ 24,813</u>

Continued

HARDIN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>HAVA Grant</u>	<u>Health Services</u>	<u>Juvenile Probation</u>
ASSETS:			
<i>Cash and Cash Equivalents</i>	\$ 21,599	\$ 144,371	\$ 115,335
<i>Property Taxes Receivable</i>	-	-	-
<i>Allowance for Uncollectible Taxes</i>	-	-	-
<i>Other Receivables</i>	-	197,465	22,685
<i>Due from Other Funds</i>	-	-	-
Total Assets	<u>\$ 21,599</u>	<u>\$ 341,836</u>	<u>\$ 138,020</u>
LIABILITIES:			
<i>Accounts Payable</i>	\$ -	\$ 8,697	\$ 659
<i>Accrued Payroll and Related Fringes</i>	-	9,629	-
<i>Due to Other Funds</i>	-	317,094	89,050
<i>Accrued Expenditures</i>	-	-	-
<i>Unearned Revenue</i>	-	6,416	1,752
Total Liabilities	<u>-</u>	<u>341,836</u>	<u>91,461</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Revenue - Property Taxes</i>	-	-	-
Total Deferrred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
<i>Restricted for Special Revenue Funds</i>	21,599	-	46,559
<i>Committed for Special Revenue Funds</i>	-	-	-
Total Fund Balances	<u>21,599</u>	<u>-</u>	<u>46,559</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,599</u>	<u>\$ 341,836</u>	<u>\$ 138,020</u>

<u>Public Safety</u>	<u>Adult Probation</u>	<u>Victims' Assistance</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit A-3)</u>
\$ -	\$ 507,307	\$ 17,492	\$ 1,487,210
-	-	-	52,768
-	-	-	(1,600)
30,984	13,935	75,214	353,124
-	27,555	-	444,571
<u>\$ 30,984</u>	<u>\$ 548,797</u>	<u>\$ 92,706</u>	<u>\$ 2,336,073</u>
\$ 91	\$ 17,754	\$ 3,651	\$ 64,919
4,410	-	-	14,776
26,483	-	45,394	511,876
-	17,708	-	124,525
-	11,880	-	99,070
<u>30,984</u>	<u>47,342</u>	<u>49,045</u>	<u>815,166</u>
-	-	-	51,168
<u>-</u>	<u>-</u>	<u>-</u>	<u>51,168</u>
-	501,455	43,661	1,448,309
-	-	-	21,430
<u>-</u>	<u>501,455</u>	<u>43,661</u>	<u>1,469,739</u>
<u>\$ 30,984</u>	<u>\$ 548,797</u>	<u>\$ 92,706</u>	<u>\$ 2,336,073</u>

HARDIN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Records Management and Preservation	Dare Program	Law Library
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Fines and Fees	226,269	-	28,758
Contributions	-	-	-
Miscellaneous	-	-	-
Interest	-	-	-
Total Revenues	<u>226,269</u>	<u>-</u>	<u>28,758</u>
EXPENDITURES:			
Current:			
General Administration	106,181	-	-
Judicial	-	-	21,699
Legal	-	-	-
Public Safety	-	-	-
Health and Welfare	-	-	-
Debt Service:			
Principal	-	-	-
Interest Expense	-	-	-
Total Expenditures	<u>106,181</u>	<u>-</u>	<u>21,699</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>120,088</u>	<u>-</u>	<u>7,059</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out	-	-	(7,059)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(7,059)</u>
Net Change in Fund Balances	120,088	-	-
Fund Balances - Beginning	<u>182,322</u>	<u>7,892</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 302,410</u>	<u>\$ 7,892</u>	<u>\$ -</u>

<u>Lateral Roads</u>	<u>Justice Court Technology</u>	<u>Drug Forfeiture Rehab</u>	<u>County Attorney Overdrawn</u>
\$ -	\$ -	\$ -	\$ -
36,300	-	-	-
-	5,825	-	3,195
-	-	-	-
-	-	-	-
<u>36,300</u>	<u>5,825</u>	<u>-</u>	<u>3,195</u>
-	-	-	-
-	15,761	-	18,968
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>15,761</u>	<u>-</u>	<u>18,968</u>
<u>36,300</u>	<u>(9,936)</u>	<u>-</u>	<u>(15,773)</u>
-	9,936	-	-
-	-	-	-
<u>-</u>	<u>9,936</u>	<u>-</u>	<u>-</u>
36,300	-	-	(15,773)
227,125	-	3,985	32,354
<u>\$ 263,425</u>	<u>\$ -</u>	<u>\$ 3,985</u>	<u>\$ 16,581</u>

Continued

HARDIN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	District Attorney Overdrawn	Jury Fund	Hardin County LEPC
REVENUES:			
Taxes	\$ -	\$ 469,766	\$ -
Intergovernmental	-	61,587	-
Fines and Fees	-	49,362	-
Contributions	-	-	2,400
Miscellaneous	-	-	-
Interest	-	-	2
Total Revenues	<u>-</u>	<u>580,715</u>	<u>2,402</u>
EXPENDITURES:			
Current:			
General Administration	-	-	-
Judicial	-	521,560	-
Legal	-	-	-
Public Safety	-	-	1,165
Health and Welfare	-	-	-
Debt Service:			
Principal	-	-	-
Interest Expense	-	-	-
Total Expenditures	<u>-</u>	<u>521,560</u>	<u>1,165</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>59,155</u>	<u>1,237</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	59,155	1,237
Fund Balances - Beginning	889	78,740	2,506
Fund Balances - Ending	<u>\$ 889</u>	<u>\$ 137,895</u>	<u>\$ 3,743</u>

<u>Emergency Family Service</u>	<u>District Attorney Seizure Fund</u>	<u>Drug Forfeiture D.A.</u>	<u>Drug Forfeiture State</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	854
-	-	7	51
<u>-</u>	<u>-</u>	<u>7</u>	<u>905</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,376	39,828
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>3,376</u>	<u>39,828</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>(3,369)</u>	<u>(38,923)</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	(3,369)	(38,923)
-	-	11,582	73,223
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,213</u>	<u>\$ 34,300</u>

Continued

HARDIN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>County Attorney Forfeiture</u>	<u>Assistant Prosecutors' Longevity Pay</u>	<u>County Attorney Supplement</u>
REVENUES:			
<i>Taxes</i>	\$ -	\$ -	\$ -
<i>Intergovernmental</i>	-	8,040	70,000
<i>Fines and Fees</i>	-	-	-
<i>Contributions</i>	-	-	-
<i>Miscellaneous</i>	-	-	-
<i>Interest</i>	1	-	-
Total Revenues	<u>1</u>	<u>8,040</u>	<u>70,000</u>
EXPENDITURES:			
Current:			
<i>General Administration</i>	-	-	-
<i>Judicial</i>	-	6,375	-
<i>Legal</i>	-	3,444	59,847
<i>Public Safety</i>	-	-	-
<i>Health and Welfare</i>	-	-	-
Debt Service:			
<i>Principal</i>	-	-	-
<i>Interest Expense</i>	-	-	-
Total Expenditures	<u>-</u>	<u>9,819</u>	<u>59,847</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1</u>	<u>(1,779)</u>	<u>10,153</u>
OTHER FINANCING SOURCES (USES):			
<i>Transfers In</i>	-	1,779	10,601
<i>Transfers Out</i>	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,779</u>	<u>10,601</u>
Net Change in Fund Balances	1	-	20,754
Fund Balances - Beginning	1,753	-	-
Fund Balances - Ending	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 20,754</u>

<u>Constitutional County Judge Supplement</u>	<u>Court Security Fees</u>	<u>Sheriff's Federal Equitable Share</u>	<u>Jail Commissary</u>
\$ -	\$ -	\$ -	\$ -
14,404	-	-	-
-	23,109	-	26,645
-	-	-	-
-	-	-	-
-	-	24	15
<u>14,404</u>	<u>23,109</u>	<u>24</u>	<u>26,660</u>
-	-	-	-
17,893	58,479	-	16,347
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>17,893</u>	<u>58,479</u>	<u>-</u>	<u>16,347</u>
<u>(3,489)</u>	<u>(35,370)</u>	<u>24</u>	<u>10,313</u>
3,489	35,370	-	-
-	-	-	-
<u>3,489</u>	<u>35,370</u>	<u>-</u>	<u>-</u>
-	-	24	10,313
-	-	33,170	11,117
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,194</u>	<u>\$ 21,430</u>

Continued

HARDIN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>HAVA Grant</u>	<u>Health Services</u>	<u>Juvenile Probation</u>
REVENUES:			
<i>Taxes</i>	\$ -	\$ -	\$ -
<i>Intergovernmental</i>	-	625,938	553,096
<i>Fines and Fees</i>	-	56,915	10,025
<i>Contributions</i>	-	-	-
<i>Miscellaneous</i>	-	-	-
<i>Interest</i>	-	-	152
Total Revenues	<u>-</u>	<u>682,853</u>	<u>563,273</u>
EXPENDITURES:			
Current:			
<i>General Administration</i>	655	-	-
<i>Judicial</i>	-	-	-
<i>Legal</i>	-	-	-
<i>Public Safety</i>	-	-	525,215
<i>Health and Welfare</i>	-	831,423	-
Debt Service:			
<i>Principal</i>	-	-	20,901
<i>Interest Expense</i>	-	-	348
Total Expenditures	<u>655</u>	<u>831,423</u>	<u>546,464</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(655)</u>	<u>(148,570)</u>	<u>16,809</u>
OTHER FINANCING SOURCES:			
<i>Transfers In</i>	-	147,273	-
<i>Transfers Out</i>	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>147,273</u>	<u>-</u>
Net Change in Fund Balances	(655)	(1,297)	16,809
Fund Balances - Beginning	22,254	1,297	29,750
Fund Balances - Ending	<u>\$ 21,599</u>	<u>\$ -</u>	<u>\$ 46,559</u>

<u>Public Safety</u>	<u>Adult Probation</u>	<u>Victims' Assistance</u>	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ -	\$ -	\$ -	\$ 469,766
295,140	560,102	258,327	2,482,934
-	425,421	2,253	857,777
-	-	21,616	24,016
-	-	-	854
-	363	30	645
<u>295,140</u>	<u>985,886</u>	<u>282,226</u>	<u>3,835,992</u>
-	-	-	106,836
-	-	-	677,082
-	-	-	63,291
325,394	893,273	293,870	2,082,121
-	-	-	831,423
-	-	-	20,901
-	-	-	348
<u>325,394</u>	<u>893,273</u>	<u>293,870</u>	<u>3,782,002</u>
<u>(30,254)</u>	<u>92,613</u>	<u>(11,644)</u>	<u>53,990</u>
30,254	-	33,997	272,699
-	-	-	(7,059)
<u>30,254</u>	<u>-</u>	<u>33,997</u>	<u>265,640</u>
-	92,613	22,353	319,630
-	408,842	21,308	1,150,109
<u>\$ -</u>	<u>\$ 501,455</u>	<u>\$ 43,661</u>	<u>\$ 1,469,739</u>

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COMPLIANCE SECTION

HLSK

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

The Honorable County Judge and
County Commissioners and Management of
Hardin County, Texas
300 Monroe
Kountze, Texas 77625

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 Hardin County, (County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 25, 2016.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2015-001.

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*.

Hardin County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
April 25, 2016

HLSK

Hereford, Lynch, Sellars & Kirkham

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To The Honorable County Judge and
County Commissioners and Management of
Hardin County, Texas
300 Monroe
Kountze, Texas 77625

Report on Compliance for Each Major Federal and State Program

We have audited Hardin County's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2015. The County's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Hardin County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit as described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
April 25, 2016

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HARDIN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified ?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	Yes
3. Noncompliance material to the Financial Statements noted	No
FEDERAL AND STATE AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	Yes
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?	No
7. Identification of Federal Major Programs	93.069 CPS/HAZARDS Public Health Emergency Preparedness 14.228 Community Development Block Grant
8. Identification of State Major Programs	Texas Juvenile Probation Commission (TJPC) Texas Department of Criminal Justice Community Justice Assistance Division (CJAD) Hardin County Transportation Infrastructure Fund Grant Program
9. Dollar Threshold Used to Distinguish Between Type A and Type B Federal and State Programs	\$300,000
10. Auditee Qualified as a Low-Risk Auditee?	Yes

HARDIN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION II –FINANCIAL STATEMENT FINDINGS

2015-001

SIGNIFICANT DEFICIENCY - BALANCE SHEET ACCOUNT RECONCILIATIONS

Criteria:

Best practices indicate that all balance sheet accounts should be reconciled and reviewed timely by appropriate personnel or management to ensure accuracy of the balances and mitigate opportunity for fraud or errors to occur.

Condition:

During our audit, we noted that balance sheet accounts were not being reconciled monthly.

Questioned Cost:

None noted.

Perspective Information:

During our audit, Hereford, Lynch, Sellars & Kirkham, P.C. proposed a significant number of adjusting journal entries to correct balance sheet accounts that where not reconciled.

Cause:

Hardin County implemented a new accounting software that created issues reconciling beginning balances and current activity. Hardin County has procedures in place to ensure balances are reconciled timely; however, these procedures have not been adhered to, since the software conversion.

Effect:

Hardin County's financial statements are susceptible to misstatements due to fraud or error. The effects noted below were discovered during our audit process:

- Incorrect balances appeared to be brought over from GSA (prior accounting software) into the new accounting software;
- Indications that payments to accounts receivable were incorrectly applied; and
- The County Auditor reconciled the general ledger accounts as we were completing our audit procedures

Recommendation:

We recommend that the balance sheet account reconciliation process be put back in place and be subject to a monthly documented review by appropriate personnel or management to ensure accuracy of the general ledger account balances and mitigate opportunity for fraud or errors to occur and not be detected in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

See corrective action plan.

SECTION III –FEDERAL OR STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

HARDIN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

PRIOR YEAR FINDINGS

None reported

CURRENT YEAR FINDINGS

2015-001

SIGNIFICANT DEFICIENCY - BALANCE SHEET ACCOUNT RECONCILIATIONS

Response:

Hardin County agrees with the finding and will work toward having monthly reconciliation completed on all balance sheet accounts.

Responsible Party:

Angela Gore, County Auditor

Expected Completion Date:

May 2016

HARDIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Department of State Health Services:			
<i>Nutrition Special Supplement for Women, Infants, and Children Local Agency (NSS-WIC Local Agency)</i>	10.557	2015-047340-001	\$ 280,230
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas General Land Office:			
<i>Community Development Block Grant</i>	14.228	DRS010002	408,469
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Office of the Governor, Criminal Justice Division			
<i>Felony VAWA Prosecutor</i>	16.588	28269-01	78,708
<i>Victims' Assistance Center</i>	16.575	VA-24474-04	43,531
<i>Victims' Assistance Center</i>	16.575	VA-13660-16	46,768
<i>Victims' Assistance Center</i>	16.575	VA-19995-07	38,547
Total Program 16.575			<u>128,846</u>
<i>Regional Juvenile Alternatives</i>	16.540	JA-08-J20-14707-15	5,682
Total U.S. Department of Justice			<u>213,236</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through State Department of Family and Protective Services:			
<i>Title IV-E - Foster Care Program</i>	93.658	23938999	2,345
<i>Title IV-E - Foster Care Program</i>	93.658	24118450	7,152
Total Program 93.658			<u>9,497</u>
Passed Through State Office of the Attorney General:			
<i>Title IV-D Child Support Court Costs</i>	93.563	14-C0041	46,126
Passed Through Department of State Health Services:			
<i>IMM/LOCALS Immunization Branch-Locals</i>	93.268	2015-001296-00	43,551
<i>IMM/LOCALS Immunization Branch-Locals</i>	93.268	2016-001296-00	11,432
Total Program 93.268			<u>54,983</u>
<i>CPS/HAZARDS Public Health Emergency Preparedness (PHEP)</i>	93.069	2015-00-1168-00	125,610
<i>CPS/HAZARDS Public Health Emergency Preparedness (PHEP)</i>	93.069	2016-00-1168-00	44,658
<i>CPS/EBOLA Ebola Public Health Preparedness</i>	93.069	2015-003628-00	10,087
<i>Preparedness and Prevention Community Preparedness Section / Bioterrorism</i>	93.069	2015-047179-001	8,692
Total Program 93.069			<u>189,047</u>
Total U.S. Department of Health & Human Services			<u>299,653</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Public Safety Division of Emergency Management:			
<i>Public Assistance Grant - Texas Severe Storms, Tornadoes, Straight-line Winds & Flooding</i>	97.036	FEMA-4223-DR-TX	229,593
<i>FY 2015 Emergency Management Performance Grant (EMPG)</i>	97.042	15TX-EMPG-383	37,187
Total U.S. Department of Homeland Security			<u>266,780</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,468,368</u>

HARDIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT K-2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>STATE DEPARTMENT OF TRANSPORTATION</u>		
Direct:		
<i>Hardin County Transportation Infrastructure Fund Grant Program</i>	2015-CTIF 01-101	\$ 566,420
<u>STATE DEPARTMENT TASK FORCE ON INDIGENT DEFENSE</u>		
Direct:		
<i>Indigent Defense Formula Grant</i>	212-15-100	47,341
<u>STATE DEPARTMENT OF HEALTH SERVICES</u>		
Direct:		
<i>RLSS/LPHS RLSS/Local Public Health System-PnP</i>	2015-001199-00	32,031
<i>IMM/LOCALS Immunization Branch-Locals</i>	2015-001296-00	69,648
Total State Department of Health Services		101,679
<u>STATE DEPARTMENT OF JUVENILE PROBATION COMMISSION</u>		
Direct:		
<i>State Aid "A"</i>	TJPC-A-2015-100	380,784
<i>JJAEP Discretionary Grants "W"</i>	TJPC-W-2015-100	49,426
<i>Commitment Reduction Program "C"</i>	TJPC-C-2015-100	31,133
<i>Mental Health Grant Program "N"</i>	TJPC-N-2015-100	69,002
Total State Department of Juvenile Probation Commission		530,345
<u>STATE DEPARTMENT OF OFFICE OF THE ATTORNEY GENERAL</u>		
Direct:		
<i>Texas VINE Grant</i>	1445709	14,046
<i>Sexual Assault Prevention and Crisis Services (SAPCS)-State</i>	1551126	41,797
<i>Sexual Assault Prevention and Crisis Services (SAPCS)-State</i>	1663285	1,824
Total State Department of Office of the Attorney General		57,667
<u>STATE DEPARTMENT OF CRIMINAL JUSTICE COMMUNITY JUSTICE ASSISTANCE DIVISION</u>		
Direct:		
<i>Basic Supervision</i>	CJAD Program 900-2015	257,172
<i>Specialized Caseload-High Risk Offenders</i>	CJAD Program 005-2015	108,034
<i>DP-Substance Abuse Treatment Program</i>	CJAD Program 012-2015	24,825
<i>Substance Abuse Caseload / Treatment Program</i>	CJAD Program 007-2015	35,987
Total State Department of Criminal Justice Community Justice Assistance Division		426,018
<u>STATE DEPARTMENT OF TEXAS AUTOMOBILE THEFT PREVENTION AUTHORITY</u>		
Passed Through the City of Beaumont:		
<i>Southeast Texas Auto Theft Task Force</i>	SA-T01-00041-15	56,607
TOTAL EXPENDITURES OF STATE AWARDS		\$ 1,786,077

HARDIN COUNTY, TEXAS

*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
SEPTEMBER 30, 2015*

Basis of Accounting:

The accompanying schedules of expenditures of federal and state awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.