

**WARD COUNTY, TEXAS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2014**

WARD COUNTY, TEXAS  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2014

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WARD COUNTY, TEXAS  
 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ward County, Texas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit would have been presented as \$6,152,601, \$1,537,436, \$4,615,175, \$12,115,927, and \$10,717,548, respectively.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and each major fund of the Ward County, Texas, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis-of-Matter**

### *Correction of Fund Balance/Net Position Due to Change in Accounting Principle*

As a result of a Texas Department of Transportation Grant that subjected the County to the State of Texas Single Audit requirements as prescribed by the Uniform Grant Management Standards of the Governor's Office of Budget and Planning, the County was required to change the reporting of its financial statements from the cash basis of accounting (Non-GAAP) to the accrual basis of accounting (GAAP). Fund balance and Net Position have been corrected with a prior period adjustment as detailed by Note 15.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for the pension plan, the schedule of funding progress for other post-employment benefits and budgetary comparison information on pages 4-10, page 43, page 45 and page 50, respectively, 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 the 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Matters – continued**

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ward County, Texas's basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of state awards, as required by the State of Texas *Uniform Grant Management Standards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of 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 combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2016, on our consideration of Ward County, Texas'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 Ward County, Texas's internal control over financial reporting and compliance.

Smith & Rives, PC  
Monahans, Texas  
September 9, 2016

WARD COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2014

This section of Ward County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2014. Please read it in conjunction with the Independent Auditor's Report on page 1, and the County's Basic Financial Statements, which begin on page 11.

CHANGE IN ACCOUNTING PRINCIPLE

As a result of a Texas Department of Transportation Grant that subjected the County to the State of Texas Single Audit requirements as prescribed by the Uniform Grant Management Standards of the Governor's Office of Budget and Planning, the County was required to change its reporting of its financial statements from the cash basis of accounting (Non-GAAP) to the accrual basis of accounting (GAAP). Fund balance and Net Position have been corrected with a prior period adjustment as detailed by Note 15.

FINANCIAL HIGHLIGHTS

The County's net position increased by \$23,602,198 as a result of this year's operations. The County does not have any business-type activities, so the increase above is attributable to our governmental activities. (Exhibit B-1)

During the year, the County had expenditures that were \$11,425,403 less than the \$27,995,240 generated in tax and other revenues for governmental programs (before special items). (Exhibit C-3)

Total cost of all the County's programs was \$17,431,356. (Exhibit B-1)

The General Fund ended the year with a fund balance of \$19,556,496. (Exhibit C-3)

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11-15). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds, internal service funds and agency funds contain even more information about the County's individual funds.

## REPORTING THE COUNTY AS A WHOLE

### *The Statement of Net Position and the Statement of Activities*

The analysis of the County's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position (page 11) includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting, which is the basis used by the private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay the costs of some programs (such as court costs and fees) and grants provided by outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's Net Position and changes in them. The County's Net Position (the difference between assets and liabilities) provides one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base or the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities we present only the following activity:

**Governmental Activities:** Most of the County's basic services are reported here. Property tax, state and federal grants, charges for services and fines finance most of these activities.



## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

The fund financial statements begin on page 16 and provide detailed information about the most significant funds – not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes. The County's two kind of funds – governmental and proprietary – use different accounting approaches.

**Governmental Funds:** Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and reported balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**Proprietary Funds:** The County reports the activities for which it charges users (whether outside customers or other units of the County) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the County's internal service fund reports activities that provide services for the County's employees – such as the County's self-insurance program.

## THE COUNTY AS TRUSTEE

### *Reporting the County's Fiduciary Responsibilities*

The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 24. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the County's governmental activities.

Net position of the County's governmental activities were \$54,757,227 at December 31, 2014. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements – was \$31,803,719 at December 31, 2014. This increase was impacted by the District's change in net position of governmental activities. (Exhibit C-4)

**Table I**  
**Ward County, Texas Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	
Current and other assets	\$	47,004,483
Capital Assets		<u>10,304,386</u>
Total assets		<u>57,308,869</u>
Long-term liabilities		1,956,080
Other liabilities		<u>595,562</u>
Total Liabilities		<u>2,551,642</u>
Net Position:		
Invested in capital assets, net of related debt		10,304,386
Restricted		12,649,122
Unrestricted		<u>31,803,719</u>
Total Net Position	\$	<u><u>54,757,227</u></u>

**Table II**  
**Changes in Net Position**

	Governmental Activities	
	2014	
Revenues:		
Program Receipts:		
Charges for Services	\$	1,358,086
Grants & Contributions		1,973,034
General Receipts:		
Ad-Valorem Taxes		38,905,643
Hotel/Motel Tax		75,000
Sales taxes		87,021
Licenses and permits		337,491
Miscellaneous		770,929
Investment Earnings		26,350
		43,533,554
Total Revenue	\$	43,533,554
Expenses:		
Cost of medical services	\$	-
General Government		4,273,951
Public Safety		3,682,811
Highways and Streets		2,996,171
Culture and Recreation		2,004,890
Indigent Assistance		260,206
Emergency Medical Services		1,237,109
County and District Clerks		692,772
County and District Attorneys		1,057,606
Corrections		560,437
Justices of the Peace		507,011
Miscellaneous		158,392
		17,431,356
Total Expenses	\$	17,431,356
Increase (decrease) in Net Position before transfers	\$	26,102,198
Transfers		(2,500,000)
Increase (decrease) in Net Position	\$	23,602,198
Prior Period Adjustment		6,930,985
Net Position -January 1		24,224,044
Net Position - December 31	\$	54,757,227

The cost of all governmental activities this year was \$17,431,356. (Exhibit B-1) However, as shown in the Statement of Activities on pages 12 thru 15, some of the costs were paid by those who directly benefited from the programs (\$1,358,086) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,973,034).

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$29,689,608.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance was \$17,040,486.

### *General Fund Budgetary Highlights-(cash basis)*

Over the course of the year, the Commissioners' Court made revisions to the County's budget. These budget amendments increased budgeted receipts by \$11,000 and decreased budgeted disbursements by \$64,597. Expenditures were \$1,175,723 less than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

As of December 31, 2014, the County had invested \$10.3 million in a broad range of capital assets, including land, buildings, roads and equipment.

Additions for the year included land, buildings/improvements, vehicles, machinery/equipment, capital improvements to county roads and construction in progress.

More detailed information can be found in Note 5 on page 35 of this report.

### *Long-Term Debt*

At the end of the year, the County had \$1.96 million of long-term obligations.

More detailed information about the County's long-term liabilities can be found in Note 7 on page 38.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rate. One of those factors is the economy and, in particular, the oil & gas industry. The price of crude oil and natural gas has been high over the course of the current year, which contributes heavily upon the valuation of properties on the mineral roll. The County's population has held steady in recent years, and it is possible that it may continue into the foreseeable future.

These indicators were taken into account when adopting the cash budget for 2015. Amounts available for appropriation in the budget are \$29,422,878 an increase of 23% under the 2014 budget of \$22,249,622. Budgeted expenditures are expected to increase by 30% to \$28,876,172 from \$19,828,617 in 2014. There is a budgeted interfund transfer from the General Fund to the Ward Memorial Hospital for 2015 in the amount of \$2,800,000. Another budgeted transfer is from the General Fund to Medical Benefits for \$1,500,000 for 2015.

If these estimates are realized, the County's budgetary General Fund Balance will decrease by \$546,706 at the close of 2015.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office at the Ward County Courthouse, 400 S. Allen St., Monahans, Texas, 79756.

## FINANCIAL STATEMENTS

WARD COUNTY, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1010 Cash and Cash Equivalents	\$ 29,039,115
1030 Investments - Current	500,050
1150 Receivables (net of allowance for uncollectibles)	17,314,018
1300 Due from Fiduciary Funds	151,300
Capital Assets:	
1710 Land	185,773
1720 Infrastructure, net	1,439,825
1730 Buildings, net	4,789,902
1750 Machinery and Equipment, net	3,222,798
1760 Capital Assets, net	355,720
1780 Construction in Progress	310,368
1000 Total Assets	57,308,869
<b>LIABILITIES</b>	
2020 Accounts Payable	565,416
2270 Other Current Liabilities	30,146
Noncurrent Liabilities	
2502 Due in More Than One Year	1,956,080
2000 Total Liabilities	2,551,642
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	10,304,386
Restricted for:	
3810 Restricted for Event Center	7,305,162
3820 Restricted for Construction	2,516,010
3890 Restricted for Other Purposes	2,827,950
3900 Unrestricted Net Position	31,803,719
3000 Total Net Position	\$ 54,757,227

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

WARD COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 1,792,634	\$ -	\$ -
12 Judicial	528,621	-	22,967
14 Elections	42,732	-	-
15 Financial Administration	950,202	-	-
16 Courthouse	172,927	16,514	-
17 Tax Assessor/Collector	411,166	201,149	-
18 Agricultural Extension Unit	122,509	-	-
19 Home Agent	253,160	-	-
21 Sheriff	1,792,399	24,771	2,035
22 Fire Protection	94,921	-	-
23 Corrections	560,437	8,257	181,049
25 Jail	1,785,073	-	104,628
26 Department of Public Safety	10,418	-	-
31 Highways and Streets	2,996,171	-	1,197,460
33 County Clerk	372,867	561,473	-
36 District Clerk	319,905	74,313	38,413
37 Justice of the Peace	507,011	57,799	-
38 County Attorney	354,034	8,257	-
39 Constable	56,337	-	1,018
40 District Attorney	703,572	-	225,104
41 Indigent Health Care	99,460	-	98,701
42 EMS	1,237,109	313,395	15,087
44 Indigent Welfare	14,885	-	-
45 Indigent Legal Care	145,861	-	15,087
49 Victim Services	53,560	-	-
51 Community Centers	706,423	15,377	-
52 Parks	172,054	40,481	-
53 Museums	138,095	-	4,885
54 Coliseum	59,891	28,558	-
55 Libraries	435,489	7,742	-
56 Senior Citizens Center	466,564	-	66,600
57 Emergency Management	16,816	-	-
59 4-H Rifle Barn	9,558	-	-
61 Conservation	13,423	-	-
66 Economic Opportunity	17,072	-	-
90 Intergovernmental	18,000	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 17,431,356</b>	<b>\$ 1,358,086</b>	<b>\$ 1,973,034</b>

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



Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,792,634)	\$	\$
(505,654)		
(42,732)		
(950,202)		
(156,413)		
(210,017)		
(122,509)		
(253,160)		
(1,765,593)		
(94,921)		
(371,131)		
(1,680,445)		
(10,418)		
(1,798,711)		
188,606		
(207,179)		
(449,212)		
(345,777)		
(55,319)		
(478,468)		
(759)		
(908,627)		
(14,885)		
(130,774)		
(53,560)		
(691,046)		
(131,573)		
(133,210)		
(31,333)		
(427,747)		
(399,964)		
(16,816)		
(9,558)		
(13,423)		
(17,072)		
(18,000)		
(14,100,236)		
(14,100,236)		

WARD COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
	General Revenues:		
	Taxes:		
	Property Taxes:		
5010	Property Taxes, Levied for General Purposes		
5120	Sales Taxes		
5150	GrossReceipts Business Tax		
5700	Miscellaneous Revenue		
5800	Investment Earnings		
	Transfers In (Out):		
	Total General Revenues and Transfers		
	Change in Net Position		
	Net Position- Beginning		
	Prior Period Adjustment		
	Net Position--Ending		

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
38,905,643		
87,021		
75,000		
1,108,420		
26,350		
(2,500,000)		
<u>37,702,434</u>		
23,602,198	-	-
24,224,044	-	-
6,930,985	-	-
<u>\$ 54,757,227</u>	<u>\$ -</u>	<u>\$ -</u>

WARD COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

Data Control Codes	General Fund	263 Event Center Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1010 Cash and Cash Equivalents	\$ 19,322,564	\$ 7,348,134	\$ 1,707,033	\$ 28,377,731
1030 Investments - Current	500,050	-	-	500,050
1050 Taxes Receivable	16,546,419	-	-	16,546,419
1051 Allowance for Uncollectible Taxes (credit)	(524,313)	-	-	(524,313)
1150 Receivables (Net)	65,969	-	-	65,969
1260 Intergovernmental Receivables	-	-	1,225,943	1,225,943
1300 Due from Other Funds	153,850	-	13,852	167,702
1000 Total Assets	<u>\$ 36,064,539</u>	<u>\$ 7,348,134</u>	<u>\$ 2,946,828</u>	<u>\$ 46,359,501</u>
<b>LIABILITIES</b>				
2010 Accounts Payable	\$ 140,686	\$ 42,972	\$ 84,298	\$ 267,956
2020 Wages and Salaries Payable	105,998	-	6,461	112,459
2080 Due to Other Funds	-	-	16,402	16,402
2090 Due to Others	173,284	-	11,717	185,001
2000 Total Liabilities	<u>419,968</u>	<u>42,972</u>	<u>118,878</u>	<u>581,818</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	16,022,106	-	-	16,022,106
2602 Deferred Resource Inflow - Fines & Penalties	65,969	-	-	65,969
2600 Total Deferred Inflows of Resources	<u>16,088,075</u>	<u>-</u>	<u>-</u>	<u>16,088,075</u>
<b>FUND BALANCES</b>				
3460 Restricted for Event Center	-	7,305,162	-	7,305,162
3490 Other Restricted Fund Balance	-	-	2,827,950	2,827,950
3510 Construction	2,516,010	-	-	2,516,010
3600 Unassigned Fund Balance	17,040,486	-	-	17,040,486
3000 Total Fund Balances	<u>19,556,496</u>	<u>7,305,162</u>	<u>2,827,950</u>	<u>29,689,608</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 36,064,539</u>	<u>\$ 7,348,134</u>	<u>\$ 2,946,828</u>	<u>\$ 46,359,501</u>

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

WARD COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	29,689,608
 The County uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net position.		(1,155,154)
 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,572,095 and the accumulated depreciation was \$12,736,494. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		7,835,601
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position.		3,082,665
 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(783,568)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		16,088,075
 <b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>54,757,227</b>

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

WARD COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT C-3

Data Control Codes	General Fund	263 Event Center Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ 22,426,157	\$ -	\$ 892,733	\$ 23,318,890
5120 General Sales and Use Taxes	87,021	-	-	87,021
5150 Gross Receipts Business Tax	-	-	75,000	75,000
5200 Licenses and Permits	337,491	-	-	337,491
5300 Intergovernmental Revenue and Grants	297,203	-	1,670,946	1,968,149
5400 Charges for Services	1,166,450	-	191,635	1,358,085
5510 Fines	508,703	-	2,858	511,561
5520 Forfeits	1,522	-	60,250	61,772
5610 Investment Earnings	22,692	2,639	641	25,972
5620 Rents and Royalties	12,498	-	-	12,498
5640 Contributions & Donations from Private Sources	4,884	-	-	4,884
5700 Other Revenue	92,610	-	141,307	233,917
5020 Total Revenues	<u>24,957,231</u>	<u>2,639</u>	<u>3,035,370</u>	<u>27,995,240</u>
<b>EXPENDITURES:</b>				
Current:				
0010 General Government	1,823,398	-	-	1,823,398
0012 Judicial	361,984	-	2,271	364,255
0014 Elections	33,927	-	-	33,927
0015 Financial Administration	763,153	-	-	763,153
0016 Define - General Government	114,345	-	563	114,908
0017 Define - General Government	285,403	-	-	285,403
0018 Define - General Government	81,627	-	-	81,627
0019 Other General Government Functions	171,116	-	-	171,116
Public Safety:				
0021 Police	1,364,594	-	9,143	1,373,737
0022 Fire Protection	91,930	-	-	91,930
0023 Corrections	26,598	-	408,227	434,825
0025 Jail	1,177,776	-	114,574	1,292,350
0026 Department of Public Safety	7,525	-	-	7,525
0031 Highways and Streets	2,254,948	-	2,188,634	4,443,582
0033 County Clerk	254,726	-	6,043	260,769
0036 District Clerk	215,184	-	-	215,184
0037 Justice of the Peace	338,682	-	-	338,682
0038 County Attorney	246,671	-	179	246,850
0039 Constable	38,657	-	449	39,106
0040 Health and Welfare	-	-	524,563	524,563
0041 Health	99,460	-	-	99,460
0042 EMS	946,338	-	-	946,338
0044 Welfare	14,885	-	-	14,885
0045 Indigent Legal Care	145,861	-	-	145,861
0049 Define	-	-	38,137	38,137
Culture and Recreation:				
0051 Recreation	590,821	-	2,468	593,289
0052 Parks	152,034	-	-	152,034
0053 Museums	126,566	252,315	-	378,881
0054 Pools	62,331	-	-	62,331
0055 Libraries	311,118	-	-	311,118
0056 Senior Citizens Center	262,689	-	66,290	328,979
0057 Emergency Management	14,584	-	-	14,584
0059 4-H Rifle Barn	9,558	-	-	9,558
Conservation and Development:				
0061 Conservation	13,423	-	-	13,423
0066 Economic Opportunity	-	-	52,291	52,291
Capital Outlay:				
0080 Capital Outlay	161,261	-	322,517	483,778
Intergovernmental:				
0090 Intergovernmental	18,000	-	-	18,000
6030 Total Expenditures	<u>12,581,173</u>	<u>252,315</u>	<u>3,736,349</u>	<u>16,569,837</u>

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

WARD COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT C-3 (Cont'd)

Data Control Codes	General Fund	263 Event Center Fund	Other Funds	Total Governmental Funds
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	12,376,058	(249,676)	(700,979)	11,425,403
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	10,042	-	-	10,042
7915 Transfers In	25,224	2,100,000	2,327,228	4,452,452
8911 Transfers Out (Use)	(6,127,228)	(2,000,000)	(25,224)	(8,152,452)
7080 Total Other Financing Sources (Uses)	(6,091,962)	100,000	2,302,004	(3,689,958)
1200 Net Change in Fund Balances	6,284,096	(149,676)	1,601,025	7,735,445
0100 Fund Balance - January 1 (Beginning)	14,764,126	7,454,838	1,196,714	23,415,678
1300 Prior Period Adjustment	(1,491,726)	-	30,211	(1,461,515)
3000 Fund Balance - December 31 (Ending)	\$ 19,556,496	\$ 7,305,162	\$ 2,827,950	\$ 29,689,608

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

WARD COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	7,735,445
 The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net loss of these internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease the change in net position.		(1,960,238)
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase the change in net position.		3,082,665
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(783,568)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase the change in net position.		15,527,894
 <b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>23,602,198</b>

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



WARD COUNTY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2014

	Internal Service Fund
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 661,384
Total Assets	<u>661,384</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Other Current Liabilities	30,146
Total Current Liabilities	<u>30,146</u>
<b>NonCurrent Liabilities:</b>	
Net OPEB Obligation	1,786,392
Total Noncurrent Liabilities	<u>1,786,392</u>
Total Liabilities	<u>1,816,538</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>(1,155,154)</u>
Total Net Position	<u>\$ (1,155,154)</u>

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

WARD COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT D-2

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Other Revenue	\$ 392,751
Total Operating Revenues	392,751
OPERATING EXPENSES:	
Personnel Services - Employee Benefits	3,553,367
Total Operating Expenses	3,553,367
Operating Income (Loss)	(3,160,616)
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	378
Total Non-operating Revenue (Expenses)	378
Income (Loss) Before Transfers	(3,160,238)
Non-Operating Transfer In	1,200,000
Change in Net Position	(1,960,238)
Total Net Position January 1 (Beginning)	808,366
Prior Period Adjustment	(3,282)
Total Net Position December 31 (Ending)	\$ (1,155,154)

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

WARD COUNTY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ 392,751
Cash Payments for Other Operating Expenses	(1,740,111)
Net Cash Provided by (Used for) Operating Activities	<u>(1,347,360)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Non-operating Transfer In	<u>1,200,000</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>378</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(146,982)
Cash and Cash Equivalents at Beginning of the Year:	<u>808,366</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 661,384</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ (3,160,616)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	26,864
Increase (decrease) in Net OPEB Obligation	<u>1,786,392</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,347,360)</u>

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

WARD COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2014

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 2,256,027
Due from Fiduciary Funds	23,303
Total Assets	<u>\$ 2,279,330</u>
LIABILITIES	
Due to Other Funds	\$ 151,300
Due to Fiduciary Funds	23,303
Due to Others	2,104,727
Total Liabilities	<u>\$ 2,279,330</u>

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

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution, Local Government Code and V.A.C.S. Ward County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Government Units*.

The Commissioner's Court has governance responsibilities over all activities related to Ward County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, elections functions, and general and financial administrative services.

Change in Accounting Principle

The County was forced to change from the cash basis of accounting (a non-GAAP principle) to modified accrual (a GAAP principle for Governmental Funds) and full accrual (a GAAP principle for Government-Wide Statements) as a result of expending more than \$500,000 of State funds subjecting the County to the State of Texas Single Audit requirements as prescribed by the Uniform Grant Management Standards of the Governor's Office of Budget and Planning. As a result, prior period adjustments were made to the Governmental Funds Statements and Government-Wide Statements (See Note 16: Prior Period Adjustment).

Government-wide and Fund Financial Statements

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

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operation in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Under the modified accrual basis of accounting, revenues are recognized in the accounting period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule included unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as unearned revenue, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. All tax collections expected to be received subsequent to year end are, therefore, reported as unearned revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal and state reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

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

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting

The County reports the following major governmental funds:

**General Fund** - The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

**Event Center Fund** - The Event Center Fund is used to account for and reports financial resources that are restricted to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Event Center Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Other Funds** - The Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose.

**Internal Service Fund** - The Internal Service Fund accounts for the County's insurance programs.

**Agency Funds** - Agency Funds are used to report assets which cannot be used to support County activities and are held in an agency capacity by the County for the benefit of others.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Equity

**Cash and Cash Equivalents** - Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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



WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Capital Assets** - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	20-50
Furniture and Equipment	5-10
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

**Compensated Absences** - A liability for unused vacation and comp time for all full-time employees and personal time off for EMS personnel is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered.
2. Leave or compensation is not contingent on specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent that the liabilities have matured (i.e., are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed a year of employment shall be entitled to payment for the total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 8 hours per month or 96 hours per year up to a maximum of 480 hours, but compensation is paid only for illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Interfund Activity** - Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Federal and State Grants and Entitlements** - Grants, entitlements and shared revenues may be accounted for within any of the fund types. The purpose and requirements for each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants or entitlements received for purposes normally financed through a particular fund type may be accounted for in that type provided that applicable legal restrictions are appropriately satisfied. Such revenues received for purposes normally financed through the general fund are accounted for within the Special Revenue Funds.

**Fund Equity** - In the fund financials, fund balance is the difference between governmental fund assets and liabilities reflected on the balance sheet.

The fund balance of the General Fund is of primary significance because the General Fund is the primary fund which finances most functions in the County.

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and then unassigned funds.

The five classifications of fund balance of the governmental types are as follows:

**Non-spendable fund balance** classification includes amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact. Examples of these funds are inventories or prepaid items. Additionally, these items are not expected to be converted to cash.

**Restricted fund balance** represents those funds other than non-spendable that are restricted to specific purposes such as externally imposed by creditors, grantors, contributors or laws or regulations of other governments. Additionally, these funds are imposed by law through constitutional provisions or enabling legislation.

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Committed fund balance** represents those funds that can only be used for specific purposes per the formal action (i.e., resolution) as a posted Commissioners' Court agenda item of the Ward County Commissioners' Court. These funds cannot be used for any other purpose unless the Court removes or changes the specified use by taking the same type of action it employed to previously commit the funds. These funds include contractual obligations entered into by the Commissioners' Court.

**Assigned fund balance** represents those funds designated by the commissioners' court to be used for specific purposes, but are neither restricted nor committed. The resources of these funds could represent operating transfers to special revenue funds from the general fund and the interest earnings associated with those transfers and those funds that are not classified as restricted, non-spendable or committed.

**Unassigned fund balance** is the resulting difference between total fund balances less the previous types of fund balances and is at the discretion of the Commissioners' Court. The general fund is the only fund type that may represent a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts, restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County Judge submits an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. Prior to September 30, the Commissioners' Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners' Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget for the general fund is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the liability is incurred.

All the County's funds, except the internal service fund (See Note 17: Deficit Net Position – Internal Service Fund) held positive fund equity at December 31, 2014.

For the year ended December 31, 2014, there were no instances where expenditures exceeded appropriations under the control of the Commissioners' Court.

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 3: DEPOSITS, INVESTMENTS AND SECURITIES

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition. The County Treasurer's cash and cash equivalents were comprised of eight demand deposit accounts, one time deposit (MMA), thirty-three TexPool accounts and two certificates of deposit at December 31, 2014.

The total carrying amount of the County Treasurer's demand deposits at December 31, 2014 was \$3,333,790 and the bank balance was \$4,198,041. The County Treasurer's demand deposits at December 31, 2014, and during the year ended December 31, 2014, were covered by FDIC insurance and pledged collateral, except for the date of highest demand deposit. Demand deposits on December 29, 2014 exceeded pledged securities and FDIC insurance by \$4,588,049. The following is disclosed regarding coverage of combined balances on the date of highest demand deposit:

<u>Bank</u>	<u>Highest Demand Deposit Balance</u>	<u>FMV of Securities Pledged</u>	<u>FDIC Insurance</u>	<u>Month</u>
Tejas Bank	\$9,413,770	\$4,325,721	\$500,000	December 2014

The County also held \$7,411 in undeposited funds on December 31, 2014.

A portion of the County's cash and cash equivalents consist of balances held by TexPool, a branch of the State government. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. Texpool is rated AAAM by Standard & Poor's. Market value at December 31, 2014 is provided by TexPool.

The County's cash equivalents held with TexPool at December 31, 2014 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	<u>\$27,953,941</u>	<u>\$27,953,941</u>

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 3: DEPOSITS, INVESTMENTS AND SECURITIES – continued

The remaining portion of the County Treasurer’s cash and cash equivalents consist of two certificates of deposit from two local credit unions. The maturities of these investments range from one month to nine months from December 31, 2014. The County Treasurer’s certificates of deposit at December 31, 2014 are shown below:

Institution Name	Type of Investment	Stated rate	Purchase Date	Maturity Date	Investment Balance December 31, 2014
Ward County Teachers' FCU	CD	0.60%	March 24, 2009	January 4, 2015	\$250,000
Ward County Teachers' FCU	share account				\$25
Complex Community FCU	CD	0.70%	September 22, 2010	October 2, 2015	\$250,000
Complex Community FCU	Share Account				\$25

Custodial Credit Risk for Deposits and Investments

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent bank. At December 31, 2014, the \$500,430 of the County’s certificates of deposit was subject to custodial risk of \$453. This risk represented \$403 of interest earned on the certificates but not paid out to the County Treasurer until January 2015 and the two \$25 share accounts not covered by \$250,000 NCUA insurance program.

Demand deposits on December 29, 2014 exceeded pledged securities and FDIC insurance by \$4,588,049.

Foreign Currency Risk

The County has no investments or deposits of a foreign currency as of December 31, 2014.

Interest Rate Risk

The County has not been exposed to any interest rate risk as of December 31, 2014.

Concentration of Credit Risk

The County has not been exposed to any concentration of credit risk as of December 31, 2014.

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 3: DEPOSITS, INVESTMENTS AND SECURITIES – continued

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity date for the portfolio, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Note 4: RECEIVABLES

Receivables at year end, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Other Funds	Total Governmental Funds
	_____	_____	_____
Receivables			
Taxes	\$ 16,546,419	\$ -	\$ 16,546,419
Fines & Fees	2,198,969	-	2,198,969
Intergovernmental	-	1,225,943	1,225,943
Total Gross Receivables	18,745,388	1,225,943	19,971,331
Less: Allowance for Uncollectible Accounts			
Taxes	(524,313)	-	(524,313)
Fines & Fees	(2,133,000)	-	(2,133,000)
Net Total Receivables	<u>\$ 16,088,075</u>	<u>\$ 1,225,943</u>	<u>\$ 17,314,018</u>

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

**Governmental Activities:**

	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	\$ 168,453	\$ 17,320	\$ -	\$ 185,773
Buildings & Improvements	13,291,171	75,482	428,776	13,795,429
Vehicles	1,238,966	78,526	-	1,317,492
Furniture, Machinery & Equipment	5,826,402	937,060	-	6,763,462
Infrastructure	-	1,451,924	-	1,451,924
Construction in Progress	47,103	692,041	(428,776)	310,368
<b>Total General Fixed Assets</b>	<b>20,572,095</b>	<b>3,252,353</b>	<b>-</b>	<b>23,824,448</b>
<b>Less: Accumulated Depreciation</b>				
	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Buildings & Improvements	(8,721,128)	(284,399)	-	(9,005,527)
Vehicles	(874,621)	(87,151)	-	(961,772)
Machinery & Equipment	(3,140,745)	(399,919)	-	(3,540,664)
Infrastructure	-	(12,099)	-	(12,099)
<b>Total Accumulated Depreciation</b>	<b>(12,736,494)</b>	<b>(783,568)</b>	<b>-</b>	<b>(13,520,062)</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 7,835,601</b>	<b>\$ 2,468,785</b>	<b>\$ -</b>	<b>\$ 10,304,386</b>

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 5: CAPITAL ASSETS - continued

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 9,748
Judicial	31,650
Elections	1,749
Financial Administration	36,042
Information Technology	10,465
Tax	24,329
Agri	7,425
Facilities	15,645
Sheriff	95,888
Fire Protection	594
Corrections	23,127
Jail	93,419
Public Safety	575
Highways & Streets	141,581
County Clerk	21,899
District Clerk	20,804
Justice of the Peace	32,242
County Attorney	20,772
Constable	3,423
Health & Welfare	34,176
EMS	73,671
Victims	3,064
Recreation	21,976
Parks	5,471
Museums	3,284
Pools	540
Libraries	23,875
Senior Citizens Center	25,691
Emergency Management	443
	<hr/>
Total Depreciation	<u>\$ 783,568</u>



WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 6: INTERFUND BALANCES AND TRANSFERS

Interfund balances at December 31, 2014 consisted of the following individual fund balances:

	Due From	Due To	Purpose
General Fund:			
Agency Funds	\$ 137,448	\$ -	Collections of fees not yet remitted
Special Revenue Funds	16,402	-	Short-Term Loan
Total General Fund	<u>153,850</u>	<u>-</u>	
Special Revenue Funds:			
General Fund	-	16,402	Short-Term Loan
Agency Fund	13,852	-	Collections of fees not yet remitted
Total Special Revenue Funds	<u>13,852</u>	<u>16,402</u>	
Agency Funds:			
General Fund	-	137,448	Collections of fees not yet remitted
Agency Fund	23,303	-	Collections of fees not yet remitted
Agency Fund	-	23,303	Collections of fees not yet remitted
Special Revenue Fund	-	13,852	Collections of fees not yet remitted
Total Agency Funds	<u>23,303</u>	<u>174,603</u>	
Total Due To's/Due From's	<u>\$ 191,005</u>	<u>\$ 191,005</u>	

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 6: INTERFUND BALANCES AND TRANSFERS - continued

Interfund Transfers consist of the following:

	Transfers In	Transfers Out	Purpose
Transfers to General Fund from:			
Special Revenue	\$ 25,224	\$ -	Operating Transfer - Juvenile Probation Fund
	<u>25,224</u>	<u>-</u>	
Transfers from General Fund to:			
Internal Service Funds	-	1,200,000	Medical Self-Insurance Funding
Special Revenue Fund	-	2,100,000	Funding for Construction/Renovations
Special Revenue Fund	-	172,000	Funding for Pyote Community Center
Hospital	-	2,500,000	Operating Transfers - Hospital
Special Revenue Fund	-	144,078	Operating Transfer - Juvenile Probation
Special Revenue Fund	-	7,326	Operating Transfer- Victims of Crime Act Fund
Special Revenue Fund	-	3,637	Operating Transfer - DA Forfeiture Fund
Special Revenue Fund	-	187	Operating Transfer - Title IV-E/JPO
	<u>-</u>	<u>6,127,228</u>	
Transfers to Special Revenue Funds from:			
Special Revenue Fund			Funding for future construction
General Fund	172,000	-	Funding for Pyote Community Center
General Fund	3,637	-	Operating Transfer - DA Forfeiture Fund
General Fund	187	-	Operating Transfer - Road & Bridge Fund
General Fund	144,078	-	Operating Transfer - Juvenile Probation
General Fund	7,326	-	Operating Transfer- Victims of Crime Act Fund
Construction Fund	2,000,000	-	Funding for TX DOT Grant
	<u>2,327,228</u>	<u>-</u>	
Transfers from Special Revenue Fund to:			
General Fund	-	25,224	Transfer of Interest
	<u>-</u>	<u>25,224</u>	
Transfers to Construction Fund:			
General Fund	2,100,000	-	Funding for Construction/Renovations
	<u>2,100,000</u>	<u>-</u>	
Transfers from Construction Fund:			
Special Revenue Fund	-	2,000,000	Funding for Construction/Renovations
	<u>-</u>	<u>2,000,000</u>	
Transfers to Internal Service Funds:			
General Fund	1,200,000	-	Medical Self-Insurance funding
	<u>1,200,000</u>	<u>-</u>	
Total transfers	\$ <u>5,652,452</u>	\$ <u>8,152,452</u>	

Note 7: LONG-TERM OBLIGATIONS

Long-term obligations are comprised of compensated absences, which includes annual vacation pay, comp pay, and personal time off pay (for EMS staff) of \$169,688 and net other postemployment benefits obligation of \$1,786,392. The balance for long-term obligations at December 31, 2014 was \$1,956,080 (\$169,688 + \$1,786,392).

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 8: DEFERRED INFLOWS OF RESOURCES

Governmental Funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of December 31, 2014, deferred inflows in the General Fund were comprised of the following:

	General Fund
Net Unrealized Property Taxes	\$ 16,022,106
Net Unrealized Fines & Penalties	65,969
Total Deferred Inflows	\$ 16,088,075

Note 9: RISK MANAGEMENT

General and Professional Liability

The County has entered into an agreement with Texas Association of Counties (TAC) for property, general liability, law enforcement liability, auto liability, auto physical damage, public officials' liability, crime coverage, and workers' compensation insurance. TAC Insurance funds were formed by the entry into inter-local participation agreements by member political subdivisions of the State of Texas to jointly self-insure its members against certain risks within a defined scope, to purchase excess insurance or reinsurance when deemed prudent, and to pay necessary administrative disbursements.

Property Insurance

The County's property insurance program includes blanket property coverage with various limits for quake and flood and deductibles ranging from \$500 to \$25,000.

The County paid \$132,968 in property, general liability, and professional liability insurance premiums for the year ended December 31, 2014.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee with dependent coverage make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan by withdrawing the funds directly from the County-maintained bank account. The insurance company charges the County a fee to administer the claims.

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 9: RISK MANAGEMENT - continued

Health Insurance - continued

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative disbursements. The County contributed \$1,200,000 and County employees contributed \$264,036 to the health insurance program for the year ended December 31, 2014. Retirees and COBRA contributions were \$97,764 for the year ended December 31, 2014. The Medical Benefits Fund had outstanding claims of \$30,146 at December 31, 2014.

Life Insurance/Aero Care

The County pays the premium for employees and retirees who elect to participate in the plan and remits these premium payments to the insurance company. County contributions for life insurance premiums amounted to \$51,344 for the year ended December 31, 2014. In addition the Commissioners contracted with Aero Care to cover the air transport for the residents of Ward County for one year in the amount of \$52,232.

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties (TAC) under fully-funded (pooled) coverage in which the County is a member.

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 10: EMPLOYEES' RETIREMENT PLAN

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 administration of the statewide agent multiple-employer public employee retirement system consisting of 656 cash balance-account type defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

Ward County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members.

Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The County's rate, which does not include the hospital, was 13.92% for calendar year 2014. The contribution rate payable by the employee members, other than the hospital members, for calendar year 2014 was 7% as adopted by the Commissioners' Court. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 10: EMPLOYEES' RETIREMENT PLAN - continued

Funding policy continued

For the County's accounting year ending December 31, 2014, the annual required pension contribution for the TCDRS plan for its employees was \$857,401. However, the Commissioners' elected to make an additional \$500,000 contribution in December 2014 on behalf of the County to reduce the unfunded actuarial accrued liability for the County's account. The total retirement fund contribution/cost for the County for 2014 was \$1,357,401.

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

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

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/2012	\$816,696	100%	-0-
12/31/2013	\$881,226	100%	-0-
12/31/2014	\$857,401	100%	-0-

Actuarial valuation information:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 10: EMPLOYEES' RETIREMENT PLAN continued

Funding policy continued

Actuarial valuation information: continued

Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
<b>Actuarial Assumptions:</b>			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	4.90%	4.90%	4.90%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

\* includes inflation at the stated rate

Required Supplemental Information  
 Schedule of Funding Progress for the Retirement Plan  
 For the Employees for Ward County (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	16,709,366	20,452,199	3,742,833	81.70%	5,693,796	65.74%
12/31/2012	17,922,584	21,409,753	3,487,169	83.71%	5,814,033	59.98%
12/31/2013	20,134,283	23,359,924	3,225,641	86.19%	6,218,945	51.87%

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Description

The County offers postemployment health, dental and life insurance benefits to all employees who retire from the County if they receive a TCDRS pension and retire from the County (1) on or after age 60 with at least 8 years of service, (2) after the sum of their age and service exceeds 75 (Rule of 75), or (3) at any age with at least 30 years of service. Retirees who do not have eight years of service with Ward County at the time of TCDRS retirement may continue on the medical plan but must pay 100% of the premium for continued coverage. Coverage is available to dependents of retirees who are currently receiving benefits. If the retiree predeceases the dependent, coverage for the dependent falls under COBRA. Life insurance in the amount of \$5,000 is provided for retirees only. If the retiree had 8 years of service with the County at TCDRS retirement, the County will pay 100% of the life insurance premium. If the retiree did not have 8 years of service with the County at TCDRS retirement, the retiree must pay 100% of the life insurance premium. The Plan is considered a single-employer plan and consists of health, dental and life insurance benefits. The healthcare benefits cover medical, dental and hospitalization costs for retirees and their dependents. Retirees over age 65 are required to enroll in Medicare. Medical, dental and life insurance coverage is available in the event of disability. The authority under which the Plan's benefit provisions are established or amended is the Commissioners' Court.

The plan does not issue a stand-alone report. For inquiries relating to the plan, please contact Ellen Friar, Ward County, 400 S. Allen, Monahans, TX 79756.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, 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 30 years. The County's annual OPEB cost for the fiscal year ending September 30, 2014 is as follows:

Annual Required Contribution (ARC)	\$ 2,171,489
Interest on OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>2,171,489</u>
Net estimated employer contributions	<u>(385,097)</u>
Estimated Increase (Decrease) in Net OPEB Obligation	1,786,392
Net OPEB Obligation, beginning of the year	-
Net OPEB Obligation, end of the year	<u>\$ 1,786,392</u>



WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 11: POSTEMPLOYMENT HEALTHCARE BENEFITS continued

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's estimated annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.0% discount rate) are as follows:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Required Contribution	Percentage of ARC Contributed
12/31/2013	n/a	n/a	n/a	n/a	n/a	n/a
12/31/2014	4.00%	2,171,489	17.73%	1,786,392	2,171,489	17.73%

Funding Status and Funding Progress

The funded status of the County's retiree health care plan as of January 1, 2014:

Required Supplementary Information (Unaudited)						
Actuarial Valuation Date	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL) <sup>(1)</sup>	Unfunded Actuarial Accrued Liabilities (UAAL) <sup>(2)</sup>	Funded Ratio	
1/1/2014	n/a	n/a	n/a	n/a	n/a	
1/1/2013	-	n/a	n/a	n/a	n/a	

- (1) Actuarial Accrued Liability determined under the projected unit credit cost method.
- (2) Actuarial Accrued Liability less Actuarial Value of Assets.

Methods and Assumptions

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

A discount rate of 4.00% was used. In addition, the Projected Unit Credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at January 1, 2014 is thirty years.

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 12: DEFERRED COMPENSATION PLAN

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unseen emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan), subject only to claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The balances of the deferred compensation plans at December 31, 2014 were \$54,168 and \$1,066,503, respectively.

**Nationwide Retirement Solutions**

Beginning Balance, January 1, 2014	Contributions and Market Gains	Withdrawals, Fees and Market Losses	Ending Balance, December 31, 2014
<u>\$49,764</u>	<u>\$5,882</u>	<u>(\$1,478)</u>	<u>\$54,168</u>

**The Hartford**

Beginning Balance, January 1, 2014	Contributions and Market Gains	Withdrawals and Market Losses	Ending Balance, December 31, 2014
<u>\$956,464</u>	<u>\$118,413</u>	<u>(\$8,374)</u>	<u>\$1,066,503</u>

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 13: RELATED PARTY TRANSACTIONS

The Office of Ward County Attorney is considered a part-time position and the County Attorney is permitted to maintain a private practice in addition to his public duties. As a result, some facilities, equipment and services are utilized in both his private practice and his public duties as Ward County Attorney. The physical separation and accounting of the two functions are deemed inefficient and improbable by both Ward County and the Ward County Attorney. As a result, the County and the County Attorney have entered into an agreement whereby allocations of costs that jointly benefit the County and the County Attorney's private practice have been proposed, approved and applied as part of the costs of the Office of the Ward County Attorney. This agreement stipulates that the County Attorney will provide his personal office space, furniture and equipment and services for accounting for the County Attorney Hot Check Fund at no charge to the County in return for the County's subsidy of the personal portion of his secretaries' time. The County Attorney makes an effort to segregate and pay for his personal portion of other expenses such as utilities (considered 25% personal and bills the County for 75% of utilities on an after-the-fact basis), telephone, office cleaning, seminars, law library, subscriptions and internet services and postage.

Ward County authorizes the Ward County Judge to utilize his county office for his private practice of law. The Commissioners' Court has found that this arrangement serves a public purpose in that it makes the County Judge more available to county officials and staff, as well as to the public. The County Judge provides his own office supplies and reimburses Ward County for copies and long distance telephone calls. In 2014 the County Judge was paid \$29,540 by Ward County for court-appointed representation of indigent defendants in district court.

Finally, the Chief Juvenile Probation Officer handles court appointments for indigent criminal defendants and is reimbursed by Ward County. Ward County paid the Chief Juvenile Probation Officer \$49,708 for such services during 2014.

WARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 14: FEDERAL & STATE GRANTS

The County received funds under grants from federal and state governments. The amounts received by the County's various programs are as follows:

Name of Award	Revenues Received			Totals
	Federal Grants	State Grants	Intergovernmental	
Border Prosecution Grant	\$ -	\$ 128,581	\$ -	\$ 128,581
County Prisoner Revenue	-	-	79,344	79,344
Federal Prisoner Revenue	-	-	26,600	26,600
Indigent Defense Grant - TX Task for on Indigent Defense	-	21,494	-	21,494
LEOSE Funds	-	-	3,816	3,816
State of Texas - Lateral Road Funds	-	-	11,407	11,407
State of Texas - Salary Supplements	-	-	52,150	52,150
State of Texas - State Juror Reimbursement Fee	-	-	3,944	3,944
Texas Department of Transportation County Transportation Infrastructure	-	1,161,448	-	1,161,448
Texas J-RAC pass through revenues to EMS	-	-	15,733	15,733
Texas Juvenile Probation Commission Funds	-	181,488	-	181,488
Title XX Meals on Wheels	-	-	46,906	46,906
Title XIX	-	-	32,840	32,840
Tobacco Settlement	-	-	97,938	97,938
Victims of Crime Acts Formula Grant Program	38,170	-	-	38,170
Congregate Meals, Home Delivered Meals & Cash Payments in Lieu of Donated Commodities - DHHS and Department of Agriculture	66,290	-	-	66,290
<b>TOTALS</b>	<b>\$ 104,460</b>	<b>\$ 1,493,011</b>	<b>\$ 370,678</b>	<b>\$ 1,968,149</b>

Note 15: LITIGATION

The County is party to various legal actions arising in the ordinary course of its business. In the opinion of the County's management, upon advice of the County Attorney, the County has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the County's operations or financial position.

WARD COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Note 16: PRIOR PERIOD ADJUSTMENT

The County had the following prior-period adjustment in 2014:

	Exhibit B-1	Exhibit C-3	
Conversion from Cash to Accrual	\$ (1,461,515)	\$ (1,461,515)	
Conversion from Cash to Accrual	8,395,782	-	
	\$ 6,934,267	\$ (1,461,515)	

Note 17: DEFICIT NET POSITION – INTERNAL SERVICE FUND

As a result of recording a net other postemployment benefit obligation (See Note 11: Postemployment Healthcare Benefits), the internal service fund incurred a deficit net position of \$1,155,154 (See Exhibit D-2).

Note 18: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

REQUIRED SUPPLEMENTAL INFORMATION

WARD COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (CASH BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
5110	\$ 18,481,764	\$ 18,481,764	\$ 22,017,611	\$ 3,535,847
	Property Taxes			27,021
5120	60,000	60,000	87,021	12,265
	General Sales and Use Taxes			56,052
5200	324,800	324,800	337,065	130,018
	Licenses and Permits			(97,214)
5300	237,333	237,333	293,385	1,532
	Intergovernmental Revenue and Grants			4,760
5400	996,910	1,007,910	1,137,928	11,998
	Charges for Services			3,884
5510	575,000	575,000	477,786	71,288
	Fines			
5520	-	-	1,532	
	Forfeits			
5610	17,800	17,800	22,560	
	Investment Earnings			
5620	500	500	12,498	
	Rents and Royalties			
5640	1,000	1,000	4,884	
	Contributions & Donations from Private Sources			
5700	21,000	21,000	92,288	
	Other Revenue			
5020	20,716,107	20,727,107	24,484,558	3,757,451
	Total Revenues			
<b>EXPENDITURES:</b>				
Current:				
0010	2,029,712	2,181,499	1,885,417	296,082
	General Government			65,011
0012	414,284	422,649	357,638	4,437
	Judicial			6,421
0014	38,177	38,177	33,740	7,926
	Elections			16,425
0015	364,206	362,241	355,820	1,262
	Financial Administration			1,047
0016	120,944	120,944	113,018	
	Define - General Government			
0017	298,235	298,235	281,810	
	Define - General Government			
0018	80,198	81,538	80,276	
	Define - General Government			
0019	177,818	179,078	178,031	
	Other General Government Functions			
Public Safety:				
0021	1,383,456	1,372,346	1,346,219	26,127
	Police			50,002
0022	141,838	141,838	91,836	45,593
	Fire Protection			48,683
0023	71,704	71,704	26,111	11,554
	Corrections			
0025	1,196,862	1,212,862	1,164,179	
	Jail			
0026	19,135	19,135	7,581	136,376
	Department of Public Safety			
0031	3,882,808	3,775,773	3,639,397	29,841
	Highways and Streets			7,040
0033	281,363	281,363	251,522	4,974
	County Clerk			8,177
0036	216,999	219,369	212,329	11,105
	District Clerk			
0037	336,896	336,896	331,922	
	Justice of the Peace			
0038	253,536	253,536	245,359	
	County Attorney			
0039	39,738	48,246	37,141	
	Constable			
Health and Welfare:				
0041	219,400	219,400	86,770	132,630
	Health			29,351
0042	954,800	964,800	935,449	5,365
	EMS			14,347
0044	20,250	20,250	14,885	
	Welfare			
0045	157,000	157,000	142,653	
	Indigent Legal Care			
Culture and Recreation:				
0051	613,674	617,957	585,164	32,793
	Recreation			16,386
0052	155,768	166,612	150,226	3,277
	Parks			19,965
0053	63,580	99,780	96,503	16,225
	Museums			11,614
0054	68,285	79,895	59,930	41
	Pools			1,558
0055	314,027	326,192	309,967	
	Libraries			
0056	270,741	270,741	259,127	
	Senior Citizens Center			
0057	4,978	14,578	14,537	
	Emergency Management			
0059	3,500	11,150	9,592	
	4-H Rifle Barn			
Conservation and Development:				
0061	12,700	14,700	13,221	1,479
	Conservation			
Capital Outlay:				
0080	500,000	261,531	148,922	112,609
	Capital Outlay			
Intergovernmental:				

WARD COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT G-1 (Cont'd)

Data Control Codes	Budgeted Amounts		Actual Amounts (CASH BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
0090 Intergovernmental	18,000	18,000	18,000	-
6030 Total Expenditures	14,724,612	14,660,015	13,484,292	1,175,723
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,991,495	6,067,092	11,000,266	4,933,174
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	10,042	10,042
7915 Transfers In	1,194,000	1,220,390	25,224	(1,195,166)
8911 Transfers Out (Use)	(6,803,455)	(6,846,670)	(6,143,630)	703,040
7080 Total Other Financing Sources (Uses)	(5,609,455)	(5,626,280)	(6,108,364)	(482,084)
1200 Net Change in Fund Balances	382,040	440,812	4,891,902	4,451,090
0100 Fund Balance - January 1 (Beginning)	14,764,126	14,764,126	14,764,126	-
1300 Prior Period Adjustment	(1,491,726)	(1,491,726)	(1,491,726)	-
3000 Fund Balance - December 31 (Ending)	\$ 13,654,440	\$ 13,713,212	\$ 18,164,302	\$ 4,451,090



Ward County, Texas  
Notes to Required Supplementary Information  
December 31, 2014

10. Explanation of differences between budgetary sources and uses of funds and GAAP Revenues and expenditures for General Fund is illustrated in the following table:

	<u>General Fund</u>
<b>Revenues:</b>	
Actual amounts (budgetary basis) "total revenue sources" from the budgetary comparison schedule - General Fund (Exhibit G-1)	\$ 24,484,558
Adjustments: Accruals to convert cash revenues (budgetary basis) to accrual revenues for GAAP reporting. This includes reversal of revenues attributable to the prior year.	<u>472,673</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances - general fund	<u>\$ 24,957,231</u>
<b>Expenditures:</b>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule - General Fund (Exhibit G-1)	\$ 13,484,292
Adjustments: Accruals to convert cash expenditures (budgetary basis) to accrual revenues for GAAP reporting. This includes reversal of expenditures that were attributable to the prior year.	<u>(903,119)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - general fund	<u>\$ 12,581,173</u>
<b>Other Uses:</b>	
Actual amounts (budgetary basis) "total other uses" from the budgetary comparison schedule - General Fund (Exhibit G-1)	\$ 6,143,630
Adjustments: A reclassification of a transfer to Juvenile Probation (a special revenue fund to a due from special revenue under GAAP for expenditures incurred but not yet reimbursed by state (due from state).	<u>(16,402)</u>
Total general fund other uses as reported on the statement of revenues, expenditures, and changes in fund balances - general fund	<u>\$ 6,127,228</u>

COMBINING STATEMENTS OF NON-MAJOR  
GOVERNMENTAL FUNDS

WARD COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

Data Control Codes	200 Title XX Fund	201 Title XIX Fund	202 LEOSE Training Funds	216 Lateral Road Fund
<b>ASSETS</b>				
1010	\$ -	\$ -	\$ 11,260	\$ 11,376
1260	3,955	2,203	-	-
1300	-	-	-	-
1000	<u>\$ 3,955</u>	<u>\$ 2,203</u>	<u>\$ 11,260</u>	<u>\$ 11,376</u>
<b>LIABILITIES</b>				
2010	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-
2080	-	-	-	-
2090	3,955	2,203	-	-
2000	<u>3,955</u>	<u>2,203</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
3490	-	-	11,260	11,376
3000	<u>-</u>	<u>-</u>	<u>11,260</u>	<u>11,376</u>
4000	<u>\$ 3,955</u>	<u>\$ 2,203</u>	<u>\$ 11,260</u>	<u>\$ 11,376</u>

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

EXHIBIT H-1 (Cont'd)

217 Farm to Market Road Fund	222 Check Fees Fund	224 Sheriff's State Forf Fund	225 Sheriff's Federal Forf Fund	226 District Attorney Forf Fund	227 District Attorney Seizure Fund	229 Records & Preserv Fund	230 Courthouse Security Fund
\$ 491,480	\$ 10,460	\$ 32,859	\$ 9,866	\$ 63,559	\$ 5,368	\$ 13,606	\$ 35,377
-	-	-	-	-	-	-	-
1,130	-	-	-	-	-	530	1,266
<u>\$ 492,610</u>	<u>\$ 10,460</u>	<u>\$ 32,859</u>	<u>\$ 9,866</u>	<u>\$ 63,559</u>	<u>\$ 5,368</u>	<u>\$ 14,136</u>	<u>\$ 36,643</u>
\$ 35,161	\$ -	\$ -	\$ -	\$ 1,039	\$ -	\$ -	\$ -
-	-	-	-	2,997	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>35,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,036</u>	<u>-</u>	<u>-</u>	<u>-</u>
457,449	10,460	32,859	9,866	59,523	5,368	14,136	36,643
<u>457,449</u>	<u>10,460</u>	<u>32,859</u>	<u>9,866</u>	<u>59,523</u>	<u>5,368</u>	<u>14,136</u>	<u>36,643</u>
<u>\$ 492,610</u>	<u>\$ 10,460</u>	<u>\$ 32,859</u>	<u>\$ 9,866</u>	<u>\$ 63,559</u>	<u>\$ 5,368</u>	<u>\$ 14,136</u>	<u>\$ 36,643</u>

WARD COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

Data Control Codes	234 County Clerk Records M&P Fund	235 Court Reporter Service Fund	239 JP Court Technology Fund	241 County Clerk Vital Stats Fund
<b>ASSETS</b>				
1010	\$ 109,429	\$ 12,666	\$ 21,409	\$ 14,365
1260	-	-	-	-
1300	5,033	270	660	74
1000	<u>\$ 114,462</u>	<u>\$ 12,936</u>	<u>\$ 22,069</u>	<u>\$ 14,439</u>
<b>LIABILITIES</b>				
2010	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-
2080	-	-	-	-
2090	-	-	-	-
2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
3290	114,462	12,936	22,069	14,439
3000	<u>114,462</u>	<u>12,936</u>	<u>22,069</u>	<u>14,439</u>
4000	<u>\$ 114,462</u>	<u>\$ 12,936</u>	<u>\$ 22,069</u>	<u>\$ 14,439</u>

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

EXHIBIT H-1 (Cont'd)

242 County Clerk Archive Fund	243 District Clerk Records Mngmnt Fund	245 JP Security Fund	248 Co/Dist Court Technology Fund	249 Co/Dist Disaster Preserv Fund	250 Hotel/Motel Tax Fund	270 TxDOT Road Grant Fund	282 Archives Donation Fund
\$ 107,589	\$ 4,159	\$ 22,866	\$ 2,172	\$ 3,477	\$ 48,738	\$ 594,573	\$ 1,528
-	-	-	-	-	-	1,161,448	-
4,534	130	-	98	127	-	-	-
<u>\$ 112,123</u>	<u>\$ 4,289</u>	<u>\$ 22,866</u>	<u>\$ 2,270</u>	<u>\$ 3,604</u>	<u>\$ 48,738</u>	<u>\$ 1,756,021</u>	<u>\$ 1,528</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,364	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	46,364	-
112,123	4,289	22,866	2,270	3,604	48,738	1,709,657	1,528
112,123	4,289	22,866	2,270	3,604	48,738	1,709,657	1,528
<u>\$ 112,123</u>	<u>\$ 4,289</u>	<u>\$ 22,866</u>	<u>\$ 2,270</u>	<u>\$ 3,604</u>	<u>\$ 48,738</u>	<u>\$ 1,756,021</u>	<u>\$ 1,528</u>

WARD COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

Data Control Codes	299 Title III Part C Fund	857 Sheriff's Commissary Account Fund	863 Juvenile Probation Fund	869 Title IV-E /JPO Fund
<b>ASSETS</b>				
1010 Cash and Cash Equivalents	\$ -	\$ 18,326	\$ (19,755)	\$ 75,732
1260 Intergovernmental Receivables	5,559	-	49,438	-
1300 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 5,559</u>	<u>\$ 18,326</u>	<u>\$ 29,683</u>	<u>\$ 75,732</u>
<b>LIABILITIES</b>				
2010 Accounts Payable	\$ -	\$ 428	\$ 1,306	\$ -
2020 Wages and Salaries Payable	-	-	2,774	161
2080 Due to Other Funds	-	-	16,402	-
2090 Due to Others	5,559	-	-	-
2000 Total Liabilities	<u>5,559</u>	<u>428</u>	<u>20,482</u>	<u>161</u>
<b>FUND BALANCES</b>				
3290 Other Restricted Fund Balance	-	17,898	9,201	75,571
3000 Total Fund Balances	<u>-</u>	<u>17,898</u>	<u>9,201</u>	<u>75,571</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,559</u>	<u>\$ 18,326</u>	<u>\$ 29,683</u>	<u>\$ 75,732</u>

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

870 Victims of Crime Act Formula Grant	Total Nonmajor Special Revenue Funds	265 Pyote Community Ctr Build Fund	Total Nonmajor Governmental Funds
\$ 4,548	\$ 1,707,033	\$ -	\$ 1,707,033
3,340	1,225,943	-	1,225,943
-	13,852	-	13,852
<u>\$ 7,888</u>	<u>\$ 2,946,828</u>	<u>\$ -</u>	<u>\$ 2,946,828</u>
\$ -	\$ 84,298	\$ -	\$ 84,298
529	6,461	-	6,461
-	16,402	-	16,402
-	11,717	-	11,717
<u>529</u>	<u>118,878</u>	<u>-</u>	<u>118,878</u>
<u>7,359</u>	<u>2,827,950</u>	<u>-</u>	<u>2,827,950</u>
<u>7,359</u>	<u>2,827,950</u>	<u>-</u>	<u>2,827,950</u>
<u>\$ 7,888</u>	<u>\$ 2,946,828</u>	<u>\$ -</u>	<u>\$ 2,946,828</u>



WARD COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Data Control Codes	200 Title XX Fund	201 Title XIX Fund	202 LEOSE Training Funds	216 Lateral Road Fund
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	46,906	32,840	3,816	11,407
5400 Charges for Services	-	-	-	-
5510 Fines	-	-	-	-
5520 Forfeits	-	-	-	4
5610 Investment Earnings	-	-	-	-
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>46,906</u>	<u>32,840</u>	<u>3,816</u>	<u>11,411</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
0012 Judicial	-	-	-	-
0016 Define - General Government	-	-	-	-
Public Safety:				
0021 Police	-	-	615	-
0023 Corrections	-	-	-	-
0025 Jail	-	-	-	12,500
0031 Highways and Streets	-	-	-	-
0033 County Clerk	-	-	-	-
0038 County Attorney	-	-	449	-
0039 Constable	-	-	-	-
0040 Health and Welfare	46,906	32,840	-	-
0049 Define	-	-	-	-
Culture and Recreation:				
0051 Recreation	-	-	-	-
0056 Senior Citizens Center	-	-	-	-
Conservation and Development:				
0066 Economic Opportunity	-	-	-	-
Capital Outlay:				
0080 Capital Outlay	-	-	-	-
6030 Total Expenditures	<u>46,906</u>	<u>32,840</u>	<u>1,064</u>	<u>12,500</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,752	(1,089)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	2,752	(1,089)
0100 Fund Balance - January 1 (Beginning)	-	-	-	12,465
1300 Prior Period Adjustment	-	-	8,508	-
3000 Fund Balance - December 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,260</u>	<u>\$ 11,376</u>

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

217 Farm to Market Road Fund	222 Check Fees Fund	224 Sheriff's State Forf Fund	225 Sheriff's Federal Forf Fund	226 District Attorney Forf Fund	227 District Attorney Seizure Fund	229 Records & Preserv Fund	230 Courthouse Security Fund
\$ 892,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	3,307	-	-	128,581	-	4,088	14,963
-	-	-	-	27,498	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	54,882	5,368	-	-
274	-	10	4	40	2	4	8
-	-	-	-	32,326	-	-	-
<u>893,007</u>	<u>3,307</u>	<u>10</u>	<u>4</u>	<u>243,327</u>	<u>5,370</u>	<u>4,092</u>	<u>14,971</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	563
-	-	3,391	5,137	-	-	-	-
-	-	-	-	-	-	-	-
724,210	-	-	-	-	-	-	-
-	179	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	444,817	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>724,210</u>	<u>179</u>	<u>3,391</u>	<u>5,137</u>	<u>444,817</u>	<u>-</u>	<u>-</u>	<u>563</u>
<u>168,797</u>	<u>3,128</u>	<u>(3,381)</u>	<u>(5,133)</u>	<u>(201,490)</u>	<u>5,370</u>	<u>4,092</u>	<u>14,408</u>
-	-	-	-	3,637	-	-	-
-	-	-	-	-	(25,224)	-	-
-	-	-	-	3,637	(25,224)	-	-
168,797	3,128	(3,381)	(5,133)	(197,853)	(19,854)	4,092	14,408
289,112	7,332	36,240	14,999	264,046	25,222	9,831	21,723
(460)	-	-	-	(6,670)	-	213	512
<u>\$ 457,449</u>	<u>\$ 10,460</u>	<u>\$ 32,859</u>	<u>\$ 9,866</u>	<u>\$ 59,523</u>	<u>\$ 5,368</u>	<u>\$ 14,136</u>	<u>\$ 36,643</u>

WARD COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Data Control Codes	234 County Clerk Records M&P Fund	235 Court Reporter Service Fund	239 JP Court Technology Fund	241 County Clerk Vital Stats Fund
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	63,417	2,595	8,932	1,044
5510 Fines	-	-	-	-
5520 Forfeits	-	-	-	-
5610 Investment Earnings	23	4	7	4
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>63,440</u>	<u>2,599</u>	<u>8,939</u>	<u>1,048</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
0012 Judicial	-	2,271	-	-
0016 Define - General Government	-	-	-	-
Public Safety:				
0021 Police	-	-	-	-
0023 Corrections	-	-	6,581	-
0025 Jail	-	-	-	-
0031 Highways and Streets	-	-	-	-
0033 County Clerk	6,043	-	-	-
0038 County Attorney	-	-	-	-
0039 Constable	-	-	-	-
0040 Health and Welfare	-	-	-	-
0049 Define	-	-	-	-
Culture and Recreation:				
0051 Recreation	-	-	-	-
0056 Senior Citizens Center	-	-	-	-
Conservation and Development:				
0066 Economic Opportunity	-	-	-	-
Capital Outlay:				
0080 Capital Outlay	-	-	-	-
6030 Total Expenditures	<u>6,043</u>	<u>2,271</u>	<u>6,581</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>57,397</u>	<u>328</u>	<u>2,358</u>	<u>1,048</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	57,397	328	2,358	1,048
0100 Fund Balance - January 1 (Beginning)	54,538	12,488	19,711	13,339
1300 Prior Period Adjustment	2,527	120	-	52
3000 Fund Balance - December 31 (Ending)	<u>\$ 114,462</u>	<u>\$ 12,936</u>	<u>\$ 22,069</u>	<u>\$ 14,439</u>

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

242 County Clerk Archive Fund	243 District Clerk Records Mngmnt Fund	245 JP Security Fund	248 Co/Dist Court Technology Fund	249 Co/Dist Disaster Preserv Fund	250 Hotel/Motel Tax Fund	270 TxDOT Road Grant Fund	282 Archives Donation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	75,000	-	-
61,328	1,132	1,961	562	808	-	1,161,448	-
-	-	-	-	-	-	-	-
22	-	7	-	-	6	133	-
-	-	-	-	-	-	-	-
<u>61,350</u>	<u>1,132</u>	<u>1,968</u>	<u>562</u>	<u>808</u>	<u>75,006</u>	<u>1,161,581</u>	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,451,924	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	52,291	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	52,291	1,451,924	-
<u>61,350</u>	<u>1,132</u>	<u>1,968</u>	<u>562</u>	<u>808</u>	<u>22,715</u>	<u>(290,343)</u>	-
-	-	-	-	-	-	2,000,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,000,000	-
61,350	1,132	1,968	562	808	22,715	1,709,657	-
48,191	3,102	20,898	1,678	2,743	26,023	-	1,528
2,582	55	-	30	53	-	-	-
<u>\$ 112,123</u>	<u>\$ 4,289</u>	<u>\$ 22,866</u>	<u>\$ 2,270</u>	<u>\$ 3,604</u>	<u>\$ 48,738</u>	<u>\$ 1,709,657</u>	<u>\$ 1,528</u>

WARD COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Data Control Codes	299 Title III Part C Fund	857 Sheriff's Commissary Account Fund	863 Juvenile Probation Fund	869 Title IV-E /JPO Fund
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	66,290	-	181,488	-
5400 Charges for Services	-	-	-	-
5510 Fines	-	-	2,858	-
5520 Forfeits	-	-	-	-
5610 Investment Earnings	-	-	29	26
5700 Other Revenue	-	108,981	-	-
5020 Total Revenues	<u>66,290</u>	<u>108,981</u>	<u>184,375</u>	<u>26</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
0012 Judicial	-	-	-	-
0016 Define - General Government	-	-	-	-
Public Safety:				
0021 Police	-	-	-	-
0023 Corrections	-	-	383,920	17,726
0025 Jail	-	114,574	-	-
0031 Highways and Streets	-	-	-	-
0033 County Clerk	-	-	-	-
0038 County Attorney	-	-	-	-
0039 Constable	-	-	-	-
0040 Health and Welfare	-	-	-	-
0049 Define	-	-	-	-
Culture and Recreation:				
0051 Recreation	-	-	-	-
0056 Senior Citizens Center	66,290	-	-	-
Conservation and Development:				
0066 Economic Opportunity	-	-	-	-
Capital Outlay:				
0080 Capital Outlay	-	-	-	-
6030 Total Expenditures	<u>66,290</u>	<u>114,574</u>	<u>383,920</u>	<u>17,726</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,593)	(199,545)	(17,700)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	144,078	187
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	<u>144,078</u>	<u>187</u>
1200 Net Change in Fund Balance	-	(5,593)	(55,467)	(17,513)
0100 Fund Balance - January 1 (Beginning)	-	-	56,998	95,756
1300 Prior Period Adjustment	-	23,491	7,670	(2,672)
3000 Fund Balance - December 31 (Ending)	<u>\$ -</u>	<u>\$ 17,898</u>	<u>\$ 9,201</u>	<u>\$ 75,571</u>

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

870 Victims of Crime Act Formula Grant	Total Nonmajor Special Revenue Funds	265 Pyote Community Ctr Build Fund	Total Nonmajor Governmental Funds
\$ -	\$ 892,733	\$ -	\$ 892,733
-	75,000	-	75,000
38,170	1,670,946	-	1,670,946
-	191,635	-	191,635
-	2,858	-	2,858
-	60,250	-	60,250
-	607	34	641
-	141,307	-	141,307
<u>38,170</u>	<u>3,035,336</u>	<u>34</u>	<u>3,035,370</u>
-	2,271	-	2,271
-	563	-	563
-	9,143	-	9,143
-	408,227	-	408,227
-	114,574	-	114,574
-	2,188,634	-	2,188,634
-	6,043	-	6,043
-	179	-	179
-	449	-	449
-	524,563	-	524,563
38,137	38,137	-	38,137
-	-	2,468	2,468
-	66,290	-	66,290
-	52,291	-	52,291
-	-	322,517	322,517
<u>38,137</u>	<u>3,411,364</u>	<u>324,985</u>	<u>3,736,349</u>
<u>33</u>	<u>(376,028)</u>	<u>(324,951)</u>	<u>(700,979)</u>
7,326	2,155,228	172,000	2,327,228
-	(25,224)	-	(25,224)
<u>7,326</u>	<u>2,130,004</u>	<u>172,000</u>	<u>2,302,004</u>
7,359	1,753,976	(152,951)	1,601,025
-	1,037,963	158,751	1,196,714
-	36,011	(5,800)	30,211
<u>\$ 7,359</u>	<u>\$ 2,827,950</u>	<u>\$ -</u>	<u>\$ 2,827,950</u>

COMBINING SCHEDULE FOR AGENCY FUNDS

WARD COUNTY, TEXAS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
<b>SHERIFF'S TRUST ACCOUNT</b>				
Assets:				
Cash and Cash Equivalents	\$ 7,557	\$ 51,635	\$ 53,135	\$ 6,057
Liabilities:				
Due to Others	\$ 7,557	\$ 51,635	\$ 53,135	\$ 6,057
<b>SHERIFF'S INMATE ACCOUNT</b>				
Assets:				
Cash and Cash Equivalents	\$ 16,804	\$ 108,981	\$ 115,723	\$ 10,062
Liabilities:				
Due to Others	\$ 16,804	\$ 108,981	\$ 115,723	\$ 10,062
<b>TAX COLLECTOR'S</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,021,097	\$ 53,338,169	\$ 54,317,324	\$ 41,942
Liabilities:				
Due to Other Governments	\$ 1,021,097	\$ 53,338,169	\$ 54,317,324	\$ 41,942
<b>COUNTY CLERK ACCOUNTS</b>				
Assets:				
Cash and Cash Equivalents	\$ 60,156	\$ 1,958,950	\$ 1,909,416	\$ 109,690
Liabilities:				
Due to Other Funds	\$ 38,773	\$ 1,263,523	\$ 1,231,573	\$ 70,723
Due to Others	21,383	695,427	677,843	38,967
Total Liabilities	\$ 60,156	\$ 1,958,950	\$ 1,909,416	\$ 109,690
<b>DISTRICT CLERK ACCOUNTS</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,001,724	\$ 1,824,279	\$ 1,205,710	\$ 1,620,293
Liabilities:				
Due to Other Funds	\$ 7,766	\$ 14,594	\$ 9,646	\$ 12,714
Due to Others	993,958	1,809,685	1,196,064	1,607,579
Total Liabilities	\$ 1,001,724	\$ 1,824,279	\$ 1,205,710	\$ 1,620,293
<b>COMMUNITY SUPERVISOR CORRECTIONS</b>				
Assets:				

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



WARD COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
Cash and Cash Equivalents	\$ 32,242	\$ 495,909	\$ 495,618	\$ 32,533
Liabilities:				
Due to Others	\$ 32,242	\$ 495,909	\$ 495,618	\$ 32,533
<b>CSCD/PRETRIAL FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 116,847	\$ 57,655	\$ 70,646	\$ 103,856
Liabilities:				
Due to Others	\$ 116,847	\$ 57,655	\$ 70,646	\$ 103,856
<b>ADULT PROBATION FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 78,049	\$ 1,195,055	\$ 1,196,316	\$ 76,788
Liabilities:				
Due to Others	\$ 78,049	\$ 1,195,055	\$ 1,196,316	\$ 76,788
<b>TAX ACCOUNT</b>				
Assets:				
Cash and Cash Equivalents	\$ 22,962	\$ 33,146	\$ 24,210	\$ 31,898
Liabilities:				
Due to Others	\$ 22,962	\$ 33,146	\$ 24,210	\$ 31,898
<b>DA RESTITUTION</b>				
Assets:				
Cash and Cash Equivalents	\$ 4,500	\$ 10,332	\$ 10,412	\$ 4,420
Liabilities:				
Due to Others	\$ 4,500	\$ 10,332	\$ 10,412	\$ 4,420
<b>JUVENILE PROBATION FEES</b>				
Assets:				
Cash and Cash Equivalents	\$ 1	\$ 7,749	\$ 7,749	\$ 1
Liabilities:				
Due to Others	\$ 1	\$ 7,749	\$ 7,749	\$ 1
<b>FLEXIBLE SPENDING FUND</b>				

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

WARD COUNTY, TEXAS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 6,926	\$ 23,694	\$ 23,945	\$ 6,675
<b>Liabilities:</b>				
Due to Others	\$ 6,926	\$ 23,694	\$ 23,945	\$ 6,675
 <b>VICTIM'S ASSISTANCE FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 52,405	\$ 2,077	\$ 2,074	\$ 52,408
<b>Liabilities:</b>				
Due to Others	\$ 52,405	\$ 2,077	\$ 2,074	\$ 52,408
 <b>STATE COURT COSTS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 57,549	\$ 267,749	\$ 255,793	\$ 69,505
Due From Other Funds	12,704	23,303	12,704	23,303
Total Assets	\$ 70,253	\$ 291,052	\$ 268,497	\$ 92,808
<b>Liabilities:</b>				
Due to Other Funds	\$ 3,435	\$ 28,975	\$ 24,165	\$ 8,245
Due to Others	66,818	262,077	244,332	84,563
Total Liabilities	\$ 70,253	\$ 291,052	\$ 268,497	\$ 92,808
 <b>JP FEE FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 25,506	\$ 588,211	\$ 570,242	\$ 43,475
<b>Liabilities:</b>				
Due to Other Funds	\$ 24,091	\$ 552,918	\$ 536,027	\$ 40,982
Due to Others	1,415	35,293	34,215	2,493
Total Liabilities	\$ 25,506	\$ 588,211	\$ 570,242	\$ 43,475
 <b>COUNTY ATTORNEY TRUST</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 25,901	\$ 45,825	\$ 36,704	\$ 35,022
<b>Liabilities:</b>				
Due to Others	\$ 25,901	\$ 45,825	\$ 36,704	\$ 35,022

**WARD COUNTY SENIOR CITIZENS**

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

WARD COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 32,875	\$ 199,996	\$ 221,469	\$ 11,402
<b>Liabilities:</b>				
Due to Others	\$ 32,875	\$ 199,996	\$ 221,469	\$ 11,402
 <b>TOTAL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,563,101	\$ 60,209,412	\$ 60,516,486	\$ 2,256,027
Due From Other Funds	12,704	23,303	12,704	23,303
Total Assets	<u>\$ 2,575,805</u>	<u>\$ 60,232,715</u>	<u>\$ 60,529,190</u>	<u>\$ 2,279,330</u>
<b>Liabilities:</b>				
Due to Other Funds	\$ 74,065	\$ 1,860,010	\$ 1,801,411	\$ 132,664
Due to Other Governments	1,021,097	53,338,169	54,317,324	41,942
Due to Others	1,480,643	5,034,536	4,410,455	2,104,724
Total Liabilities	<u>\$ 2,575,805</u>	<u>\$ 60,232,715</u>	<u>\$ 60,529,190</u>	<u>\$ 2,279,330</u>

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

FEDERAL AND STATE AWARDS SECTION

**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 Judge and Members of the Commissioners' Court of Ward  
County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Ward (the "County") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2016, which included an emphasis of a matter paragraph on change in accounting principle.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be significant deficiencies.

### **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

### **The County's Response to Findings**

The County's response to the findings identified in our audit are 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 result 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.

Smith & Rives, PC  
Monahans, Texas  
September 9, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY THE STATE OF TEXAS UNIFORM GRANTS MANAGEMENT STANDARDS**

The Honorable Judge and Members of the Commissioners 'of Ward County, Texas

**Report on Compliance for Each Major State Program**

We have audited the County Of Ward, Texas (the "County's") compliance with the types of compliance requirements described in the State of Texas *Uniform Grants Management Standards* ("UGMS") that could have a direct and material effect on each of the County's major state programs for the year ended December 31, 2014. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Managements Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major 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 the State of Texas *UGMS*. Those standards 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 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 state program. However, our audit does not provide a legal determination of the County's compliance.

### ***Unmodified Opinion on Each of the State Programs***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

### **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 state program and to test and report on internal control over compliance in accordance with the State of Texas *UGMS*, 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

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 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 reasonable possibility that material noncompliance with a type of compliance requirement of a 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.

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 the State of Texas *UGMS*. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of State Awards Required by State of Texas UGMS**

We have audited the financial statements of the County of Ward as of and for the year ended December 31, 2014, and have issued our report thereon dated September 9, 2016, which contained an emphasis of a matter paragraph on changes in accounting and reporting and implementation of new accounting standard. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas *UGMS* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Smith & Rives, PC  
Monahans, Texas  
September 9, 2016

**WARD COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**I. Summary of the Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified – County's Financials  
Adverse – Omitted Component Unit

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial Statements noted?  Yes  No

**2. State Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State of Texas Uniform Grants Management?  Yes  No

Identification of major Type A State Programs:

<u>Contract No.</u>	<u>Name of State Program</u>
CITIF-01-238	County Transportation Infrastructure

Dollar Threshold to determine major Type A State Programs \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**II. Findings relating to the Financial Statements Which Are Required to be reported in Accordance with Generally Accepted Auditing Standards.**

**2014 – 001 – Highest Daily Cash Balances Exceeding FDIC and Pledged Securities**

**Criteria** – The State requires that local governments have their deposits adequately covered through FDIC insurance and pledged securities with their depository.

**Condition** – There were two instances where the highest daily cash balances exceeded the depository's coverage of FDIC insurance and pledged securities. One occurred on January 27, 2014 and the other occurrence was on December 29, 2014. In each occurrence, the excess was transferred to TexPool the next day.

**Context** – Some departments, such as the tax-collectors department, have bank accounts in which to transact business to collect taxes, fees and other receipts/deposits.

**Cause** – Since some of the County's departments have bank accounts, there are spikes that occur at certain times of the year in account balances due to incoming large transactions, such as large tax collections.

**Effect** – These spikes causes the County's overall deposits to exceed the combined coverage of existing FDIC insurance and pledged securities.

**Recommendation** – Ask the bank to increase collateral for these times during the year.

**Views of Responsible Officials** – See Corrective Action Plan.

**III. Findings and Questioned Costs for State Awards.**

No Findings

WARD COUNTY, TEXAS  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
YEAR ENDED DECEMBER 31, 2014

**A. Auditor's Review of Prior Year Findings**

**2013-1 Required State Bidding Requirements for Expenditures Exceeding \$50,000**

In the prior year, there were instances where the County did not comply with competitive bidding procedures in accordance with state law.

These items were put up for bid by the County in 2014.

WARD COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2014

With respect to each audit finding included in the current year's auditor's reports:

**2014-001 Highest Daily Cash Balances Exceeding FDIC and Pledged Securities**

County officials agree to ask their depository to increase pledged securities for certain times of the year in anticipation of large deposits that could potentially exceed the depository's combination of FDIC insurance and pledged securities.

**WARD COUNTY  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>STATE GRANTOR</u>	<u>PROGRAM NAME</u>	<u>CONTRACT NO</u>	<u>STATE EXPENDITURES</u>
TEXAS TASK FORCE ON INDIGENT DEFENSE	INDIGENT DEFENSE GRANT	212-11-238	\$ 21,494
TEXAS DEPARTMENT OF TRANSPORTATION	COUNTY TRANSPORTATION INFRASTRUCTURE	CTIF-01-238	1,161,448
TEXAS JUVENILE PROBATION COMMISSION	GRANT A - STATE AID	A-2014-238	101,764
TEXAS JUVENILE PROBATION COMMISSION	GRANT A - STATE AID	A-2015-238	37,502
TEXAS JUVENILE PROBATION COMMISSION	COMMITMENT REDUCTION	C-2014-238	24,435
TEXAS JUVENILE PROBATION COMMISSION	COMMITMENT REDUCTION	N-2014-238	17,787
TEXAS DEPARTMENT OF CRIMINAL JUSTICE	BORDER PROSECUTION	2537301	89,369
TEXAS DEPARTMENT OF CRIMINAL JUSTICE	BORDER PROSECUTION	2537304	39,212
<b>Total Expenditures of State Awards</b>			<b>\$ 1,493,011</b>

**WARD COUNTY, TEXAS**  
**NOTES ON ACCOUNTING POLICIES FOR STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2014**

**1. GENERAL**

The accompanying Schedule of Expenditures of State Awards (the "Schedule") presents the activity of all applicable state awards of Ward County, Texas for the year ended December 31, 2014.

For the purposes of the Schedule, state awards include all grants, contracts and similar agreements entered into directly between the County and agencies and departments of the State of Texas and all sub-awards to the County pursuant to state grants, contracts and similar agreements. Major programs are identified by the independent auditor in accordance with the provisions of the State of Texas Uniform Grant Management Standards ("UGMS").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR STATE AWARDS**

Expenditures for direct costs and employee benefits are recognized as incurred using the modified accrual basis of accounting (accrual basis for proprietary funds) to the extent grants are approved and applicable government cost principles specified by each grant, contract and agreement. Such expenditures are recognized following the cost principles contained in the State of Texas Uniform Grant Management Standards ("UGMS"). The County does not recover indirect costs unless expressly allowed by each award.

Additionally, amounts reported as expenditures in the Schedule may not agree to the related financial reports filed with the grantor agencies because of accruals that would not be included until the next report filed with the agency.

**3. COMMITMENTS AND CONTINGENCIES**

The County participates in several state 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, 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 at December 31, 2014 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with rules and regulations governing the grants.