

**STERLING COUNTY,  
TEXAS**

---

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S  
REPORT

---

SEPTEMBER 30, 2014

Becky Roberts, CPA  
104 Pine Street, Suite 610  
Abilene, Texas 79601  
325-665-5239  
becky.roberts@rm-cpa.net

**STERLING COUNTY, TEXS**  
**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government –wide Financial Statements:	
Statement of Net Position .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Net Position – Proprietary Fund .....	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund .....	19
Statement of Cash Flows – Proprietary Fund .....	20
Balance Sheet – Fiduciary Funds.....	21
Notes to Financial Statements .....	22
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund .....	34
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Road & Bridge Fund.....	35
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	38
Combining Statement of Net Position – Component Units.....	40
Combining Statement of Activities – Component Units.....	41
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	42

# BECKY ROBERTS, CPA

104 PINE STREET, SUITE 610  
ABILENE, TEXAS 79601  
(325) 665-5239  
becky.roberts@rm-cpa.net

## INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court  
Sterling County, Texas:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

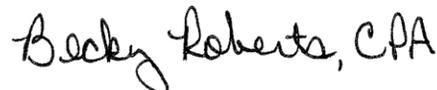
### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sterling County, Texas' basic financial statements. The other supplementary schedules on pages 36-41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules 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 my opinion, the other supplementary schedules 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*, I have also issued my report dated February 6, 2015, on my consideration of Sterling County, Texas' internal control over financial reporting and on my 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 my 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 Sterling County, Texas' internal control over financial reporting and compliance.



**BECKY ROBERTS, CPA**

Abilene, Texas,  
February 6, 2015

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

As management of Sterling County we offer readers of Sterling County, Texas' financial statements this narrative overview and analysis of the financial activities of Sterling County, Texas for the fiscal year ended September 30, 2014.

**Financial Highlights**

**Government-Wide Financial Statements**

- The assets of the governmental activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$7,343,448 (*net position*). Of this amount, \$2,839,359 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$3,116,106 of the County's equity is invested in capital assets, net of related debt; and \$1,387,983 of the County's equity is restricted for special revenue funds.
- The assets of the business-type activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$1,188,962 (*net position*). Of this amount, \$344,246 (*unrestricted*) may be used to meet the government's ongoing obligations. \$844,716 of the County's equity is invested in capital assets.
- The net position (*equity*) of the governmental activities of the County increased by \$610,676 during the 2014 fiscal year.

**Fund Financial Statements**

- As of the close of the current fiscal year, Sterling County's general fund reported an ending unassigned fund balance of \$3,375,525. This general fund fund balance reflects an increase of \$298,465 for the current year.
- In the road & bridge fund, the fund balance increased \$252,776 for the current year.
- The proprietary fund which reports on the operations of the nursing home reflects an increase in net position for the current year of \$331,914.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Sterling County's basic financial statements. Sterling County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-Wide Financial Statements***

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

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

The government-wide financial statements reflect functions of Sterling County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Sterling County include general administration, judicial, legal, public facilities, road and bridge, public

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

safety, health and welfare, and other supported services. The government-wide financial statements can be found on pages 9-11 of this report.

***Fund Financial Statements***

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

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

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

Sterling County has four governmental fund types which are the general fund, special revenue funds, debt service fund, and capital projects fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road & bridge fund, and construction fund, which are considered to be major funds. Data from the other non-major governmental funds is combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. The governmental fund financial statements can be found on pages 12-17 of this report.

Sterling County adopts an annual appropriated budget for the general fund, the road & bridge fund, and various other special revenue funds. Budgetary comparison schedules have been provided for the general fund and the road & bridge fund to demonstrate compliance with the budgets on pages 34-35.

***Proprietary funds.*** Sterling County maintains one proprietary fund which is the Nursing Home Fund. This fund charges for the services it provides to residents of the nursing home. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's proprietary fund is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 18-20 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as agency funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statement can be found on page 21.

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-33 of this report.

**Other information.** The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 36-39 of this report. Combining financial statements for the aggregated component units are also provided as other supplemental information and can be found on pages 40-41.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sterling County, assets exceeded liabilities by \$7,343,448 in the governmental activities and \$1,188,962 in the business-type activities at the close of the most recent fiscal year.

\$3,960,822 of Sterling County's total net position (46 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. Sterling County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Comparative information for the year ended September 30, 2013 is not available to be presented in the management discussion and analysis.

**Sterling County's Net Position**

	2014	
	Governmental Activities	Business-type Activities
Current assets	\$ 9,487,474	\$ 458,196
Capital assets	3,116,106	844,716
<b>Total Assets</b>	<b>12,603,580</b>	<b>1,302,912</b>
Current liabilities	160,132	113,950
Long-term liabilities	5,100,000	
<b>Total Liabilities</b>	<b>5,260,132</b>	<b>113,950</b>
Net investment in capital assets	3,116,106	844,716
Restricted	1,387,983	
Unrestricted	2,839,359	344,246
<b>Total Net Position</b>	<b>\$ 7,343,448</b>	<b>\$ 1,188,962</b>

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Sterling County's Changes in Net Position**

	2014	
	Governmental Activities	Business-type Activities
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 876,505	\$ 1,858,389
Operating grants & contributions	207,152	429,992
Capital grants & contributions	240,114	
<b>General Revenues</b>		
Property taxes	2,968,611	
Investment earnings	19,494	
Gain on disposal of assets	32,351	
Transfers	(572,153)	572,153
<b>Total Revenues</b>	<b>3,772,074</b>	<b>2,860,534</b>
<b>Expenses</b>		
General government	467,810	
Road and bridge	547,697	
County Judge	75,149	
County and district clerk	141,846	
Justice of the peace	108,892	
County attorney	89,846	
County treasurer	64,964	
County tax collector	95,226	
County building operations	255,069	
County sheriff	462,663	
County agent	70,473	
Trapper	64,800	
Senior citizens	31,700	
Volunteer fire department	38,566	
EMS	285,782	
Clinic	257,300	
Nursing home		2,528,620
Interest and debt issuance costs	103,615	
<b>Total expenses</b>	<b>3,161,398</b>	<b>2,528,620</b>
<b>Change in Net Position</b>	<b>610,676</b>	<b>331,914</b>
<b>Beginning Net Position</b>	<b>7,447,180</b>	<b>0</b>
<b>Prior Period Adjustments</b>	<b>(714,408)</b>	<b>857,048</b>
<b>Ending Net Position</b>	<b>\$ 7,343,448</b>	<b>\$ 1,188,962</b>

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS**

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

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

As of the end of the current fiscal year, Sterling County's governmental general fund reported an ending fund balance of \$3,375,525, which is generally unassigned and available for spending at the County's discretion. The road and bridge fund reported an ending fund balance of \$885,960 which is restricted for road and bridge operations.

The construction fund is a temporary fund which is used to record the construction costs related to the debt issuance of \$5.1 million from May 2014. During FY 2014, \$453,104 was spent on construction equipment which leaves a remaining fund balance of \$4,577,376 restricted for the construction project.

**Fund Budgetary Highlights**

The original budget for the general fund reflects a balanced budget. After amendments were made to the budget, it reflects a deficit of \$140,760. The actual expenditures were \$85,524 less than the final budgeted amounts, and actual revenues were \$281,112 more than was budgeted.

The original and the final amended budgets for the road and bridge fund reflect a balanced budget. The actual operating expenses were \$145,948 less than the final budgeted amounts, and actual revenues were \$71,859 more than was budgeted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** Sterling County's investment in capital assets for its governmental activities amounts to \$3,116,106 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$844,716 (net of accumulated depreciation) as of September 30, 2014. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**Sterling County's Capital Assets  
(net of depreciation)**

		2014	
		Governmental Activities	Business-type Activities
Land	\$	6,238	\$
Buildings and improvements		960,951	747,452
Infrastructure		312,181	97,264
Equipment		1,267,602	
Vehicles		569,134	
<b>Total</b>	<b>\$</b>	<b>3,116,106</b>	<b>\$ 844,716</b>

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

Additional information on Sterling County's capital assets can be found in Note 5 on pages 28 and 29 of this report.

**Debt Administration**

Sterling County has long-term debt in the form of tax notes within the governmental activities of the County. As of September 30, 2014, the County had long term liabilities as follows:

Governmental Activities:

Tax Notes – Series 2014	\$ 5,100,000
-------------------------	--------------

Additional information on Sterling County's long term debt can be found in Note 6 on page 29 of this report.

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

- Sterling County adopted a 2014 property tax rate effective for its 2015 fiscal year of .36757 per \$100 property valuation. This is compared to the 2013 year tax rate of .40781 per \$100 property valuation. The 2014 rate is composed of .277523 for maintenance and operations and .090047 for I&S.
- The 2015 fiscal year budget was approved by the County in September of 2014.

**Requests for Information**

This financial report is designed to provide a general overview of Sterling County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Sterling County, Box 819, Sterling City, Texas 76951.

BASIC FINANCIAL STATEMENTS

**STERLING COUNTY, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
<b>ASSETS</b>			
Current:			
Cash and cash investments	\$ 7,172,410	\$ 155,379	\$ 37,519
Investments	2,120,000		
Property tax receivable, net	18,703		
Accounts receivable, net	93,484	219,677	
Accrued interest receivable	8,950		
Prepaid insurance	73,927	83,140	
Total current assets	9,487,474	458,196	37,519
Non-current:			
Capital assets			
Non-depreciable capital assets	6,238		
Depreciable capital assets, net	3,109,868	844,716	322,206
Total non-current assets	3,116,106	844,716	322,206
 Total Assets	 12,603,580	 1,302,912	 359,725
 <b>LIABILITIES</b>			
Current:			
Accounts payable	37,709	48,630	
Accrued payroll expenses		50,992	
Accrued interest payable	36,146		
Due to other governmental entities	57,944		
Due to others		14,328	
Unearned revenue	28,333		
Long term liabilities:			
Due within one year	665,000		
Due after one year:			
Tax notes	4,435,000		
Total Liabilities	5,260,132	113,950	
 <b>NET POSITION</b>			
Net investment in capital assets	3,116,106	844,716	322,206
Restricted	1,387,983		
Unrestricted	2,839,359	344,246	37,519
 Total Net Position	 \$ 7,343,448	 \$ 1,188,962	 \$ 359,725

The accompanying notes are an integral part of the financial statements.

**STERLING COUNTY, TEXAS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 467,810	\$ 4,532	\$ 63,053	\$
Road and bridge	547,697	130,965	83,534	
County judge	75,149	2,590	12,469	
County and district clerk	141,846	94,582		
Justice of the peace	108,892	348,790		
County attorney	89,846	1,015	25,864	
County treasurer	64,964			
County tax collector	95,226	23,990	14,796	
County building operations	255,069	13,535		
County sheriff	462,663	2,405	7,436	61,197
County agent	70,473			
Trapper	64,800			
Senior citizens	31,700			
Volunteer fire department	38,566			
EMS	285,782	69,333		178,917
Clinic	257,300	184,768		
Interest and debt issuance costs	103,615			
<b>Total governmental activities</b>	<b>3,161,398</b>	<b>876,505</b>	<b>207,152</b>	<b>240,114</b>
Business-type activities:				
Nursing home operations	2,528,620	1,858,389	429,992	
<b>Total business-type activities</b>	<b>2,528,620</b>	<b>1,858,389</b>	<b>429,992</b>	
<b>Total Primary Government</b>	<b>\$ 5,690,018</b>	<b>\$ 2,734,894</b>	<b>\$ 637,144</b>	<b>\$ 240,114</b>
Component Units:				
Fire Department	\$ 49,656	\$	\$ 40,509	\$
Senior Citizens	56,453	9,874	37,765	
<b>Total component units</b>	<b>\$ 106,109</b>	<b>\$ 9,874</b>	<b>\$ 78,274</b>	<b>\$</b>

General revenues:  
 Property taxes  
 Investment earnings  
 Gain on disposal of assets  
 Transfers  
 Total general revenues  
 Change in net position  
  
 Net position - beginning  
 Prior period adjustments  
  
 Net position - ending

The accompanying notes are an integral part of the financial statements.

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
\$ (400,225)		
(333,198)		
(60,090)		
(47,264)		
239,898		
(62,967)		
(64,964)		
(56,440)		
(241,534)		
(391,625)		
(70,473)		
(64,800)		
(31,700)		
(38,566)		
(37,532)		
(72,532)		
(103,615)		
<u>(1,837,627)</u>		
	\$ (240,239)	
	<u>(240,239)</u>	
<u>(1,837,627)</u>	<u>(240,239)</u>	
		\$ (9,147)
		<u>(8,814)</u>
		<u>(17,961)</u>
2,968,611		
19,494		23
32,351		
<u>(572,153)</u>	<u>572,153</u>	
<u>2,448,303</u>	<u>572,153</u>	<u>23</u>
610,676	331,914	(17,938)
7,447,180	0	1,023,687
<u>(714,408)</u>	<u>857,048</u>	<u>(646,024)</u>
<u>\$ 7,343,448</u>	<u>\$ 1,188,962</u>	<u>\$ 359,725</u>

**STERLING COUNTY, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General Fund	Road & Bridge Fund	Construction Fund
<b>ASSETS</b>			
Cash and cash investments	\$ 1,524,486	\$ 889,830	\$ 4,573,745
Investments	1,800,000		
Property tax receivable, net	18,703		
Accounts receivable, net	88,776		3,631
Accrued interest receivable	8,452		
Prepaid insurance	73,927		
	<u>3,514,344</u>	<u>889,830</u>	<u>4,577,376</u>
Total Assets	<u>\$ 3,514,344</u>	<u>\$ 889,830</u>	<u>\$ 4,577,376</u>
 <b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 33,839	\$ 3,870	
Unearned revenue	28,333		
Accrued interest payable			
Due to state	57,944		
Total liabilities	<u>120,116</u>	<u>3,870</u>	
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	18,703		
Total deferred inflows of resources	<u>18,703</u>		
 <b>FUND BALANCE</b>			
Nonspendable for prepaids	73,927		
Restricted:			
Special revenue		885,960	
Capital construction			4,577,376
Unassigned	3,301,598		
Total fund balance	<u>3,375,525</u>	<u>885,960</u>	<u>4,577,376</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,514,344</u>	<u>\$ 889,830</u>	<u>\$ 4,577,376</u>

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 184,349	\$ 7,172,410
320,000	2,120,000
	18,703
1,077	93,484
498	8,950
	<u>73,927</u>
<u>\$ 505,924</u>	<u>\$ 9,487,474</u>

\$	\$ 37,709
	28,333
36,146	36,146
	<u>57,944</u>
<u>36,146</u>	<u>160,132</u>

	<u>18,703</u>
	<u>18,703</u>

73,927

502,023	1,387,983
	4,577,376
<u>(32,245)</u>	<u>3,269,353</u>
<u>469,778</u>	<u>9,308,639</u>

<u>\$ 505,924</u>	<u>\$ 9,487,474</u>
-------------------	---------------------

STERLING COUNTY, TEXAS

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

Total fund balances - governmental funds	\$	9,308,639
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet. At the beginning of the year, the cost of these assets was \$3,898,773 and the accumulated depreciation was \$1,392,442.		2,506,331
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.		910,288
Disposition of capital assets reduces net position; however these are not recorded in the fund financial statements.		(6,889)
Depreciation expense decreases net position, but is not recorded in the fund financial statements.		(293,624)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position.		(5,100,000)
Deferred revenue are recorded in the fund financial statements, but the revenue is recognized in the governmental-wide financial statements.		<u>18,703</u>
Net position of governmental activities - statement of net position	\$	<u><u>7,343,448</u></u>

The accompanying notes are an integral part of the financial statements.

**STERLING COUNTY, TEXAS**

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

	General Fund	Road & Bridge Fund	Construction Fund
<b>REVENUES</b>			
Property taxes	\$ 2,485,454	\$ 481,859	\$
Licenses and permits		112,214	
Fees	148,623	2,321	
Fines and forfeitures	283,280		
Clinic revenue	184,768		
Investment earnings	15,042	848	1,849
Rental revenues	2,400		
Intergovernmental	217,391	18,534	
EMS revenue	69,333		
Miscellaneous	150,005	78,581	
Total revenues	3,556,296	694,357	1,849
<b>EXPENDITURES</b>			
Current:			
General government	412,339		
Road and bridge		440,774	
County judge	75,149		
County and district clerk	141,846		
Justice of the peace	108,892		
County attorney	89,846		
County treasurer	64,964		
County tax collector	95,226		
County building operations	173,052		
County sheriff	429,879		
County agent	63,504		
Trapper	64,800		
Senior citizens	31,700		
Volunteer fire department	14,978		
Clinic	285,782		
EMS	216,584		
Capital outlay	421,408	35,776	453,104
Debt service			
Total expenditures	2,689,949	476,550	453,104
Excess (deficiency) of revenues over expenditures	866,347	217,807	(451,255)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(572,153)		
Net proceeds from issuance of debt			5,028,631
Proceeds from sale of assets	4,271	34,969	
Total other financing sources (uses)	(567,882)	34,969	5,028,631
Net Change in Fund Balance	298,465	252,776	4,577,376
Fund Balance - Beginning	3,464,234	616,320	
Prior Period Adjustments	(387,174)	16,864	
Fund Balance - Ending	\$ 3,375,525	\$ 885,960	\$ 4,577,376

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$	\$ 2,967,313
	112,214
46,366	197,310
	283,280
	184,768
1,755	19,494
	2,400
9,955	245,880
	69,333
	228,586
58,076	4,310,578
54,844	467,183
	440,774
	75,149
	141,846
	108,892
	89,846
	64,964
	95,226
	173,052
	429,879
	63,504
	64,800
	31,700
	14,978
	285,782
	216,584
	910,288
36,146	36,146
90,990	3,710,593
(32,914)	599,985
	(572,153)
3,900	5,032,531
	39,240
3,900	4,499,618
(29,014)	5,099,603
9,769	4,090,323
489,023	118,713
\$ 469,778	\$ 9,308,639

**STERLING COUNTY, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - governmental funds	\$ 5,099,603
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.	910,288
Disposition of capital assets reduces net position; however these are not recorded in the fund financial statements.	(6,889)
Depreciation expense decreases net position, but is not recorded in the fund financial statements.	(293,624)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position.	(5,100,000)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>1,298</u>
Net position of governmental activities - statement of net position	<u>\$ 610,676</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2014

	<u>Nursing Home</u>
ASSETS:	
Current Assets:	
Cash and cash investments	\$ 155,379
Accounts receivable, net	112,824
Due from other governments	106,853
Prepaid expense	<u>83,140</u>
Total Current Assets	<u>458,196</u>
Noncurrent Assets:	
Depreciable capital assets, net	<u>844,716</u>
Total Noncurrent Assets	<u>844,716</u>
Total Assets	<u>1,302,912</u>
LIABILITIES:	
Accounts payable	48,630
Accrued payroll expenses	50,992
Due to others	<u>14,328</u>
Total Liabilities	<u>113,950</u>
NET POSITION:	
Net investment in capital assets	844,716
Unrestricted	<u>344,246</u>
Total Net Position	<u>\$ 1,188,962</u>

The accompanying notes are an integral part of the financial statements.

**STERLING COUNTY, TEXAS**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUND  
 YEAR ENDED SEPTEMBER 30, 2014

	Nursing Home
<b>OPERATING REVENUE:</b>	
Resident revenue	\$ 1,853,911
State UPL payments	429,992
Other sales and charges	4,478
Total Operating Revenue	2,288,381
<b>OPERATING EXPENSES:</b>	
Nursing	876,642
Medical supplies	107,139
Consultants and management fees	203,593
Activities	26,634
Medical records	13,304
Dietary	230,754
Laundry	129,536
Other operating	941,018
Total Operating Expenses	2,528,620
Operating Income	(240,239)
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Transfers in	572,153
Total Non-operating Revenue (Expenses)	572,153
<b>CHANGE IN NET POSITION</b>	331,914
<b>NET POSITION - BEGINNING</b>	
Prior period Adjustment	857,048
<b>NET POSITION - ENDING</b>	\$ 1,188,962

The accompanying notes are an integral part of the financial statements.

**STERLING COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<u>Nursing Home</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from resident services	\$ 2,142,306
Payments to employees and related taxes and benefits	(1,478,786)
Payments to consultants and management company	(430,198)
Payments to suppliers	(353,417)
Payments to others	(307,985)
Net cash used by operating activities	<u>(428,080)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating transfers in	<u>572,153</u>
Net cash provided by noncapital financing activities	<u>572,153</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	<u>(41,991)</u>
Net cash used by capital and related financing activities	<u>(41,991)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Net cash provided by investing activities	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	102,082
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>53,297</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 155,379</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ (240,239)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	59,748
Increase in accounts receivable	(160,403)
Increase in prepaid assets	(2,563)
Decrease in inventory	6,806
Increase in accounts payable	(31,002)
Increase in accrued payroll	5,822
Increase in due to others	14,328
Decrease in deferred expenditures	(80,577)
Net cash used by operating activities	<u>\$ (428,080)</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

BALANCE SHEET - FIDUCIARY FUNDS

SEPTEMBER 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>192,194</u>
Total Assets	\$ <u><u>192,194</u></u>
LIABILITIES	
Due to Others	\$ <u>192,194</u>
Total Liabilities	\$ <u><u>192,194</u></u>

The accompanying notes are an integral part of the financial statements.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

#### **NOTE 1: REPORTING ENTITY**

##### Primary Government

Sterling County, Texas (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the County judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government, road and bridge, County judge, County and District clerk, Justice of the Peace, County attorney, County treasurer, County tax collector, County building operations, nursing home operations, County sheriff, County agent, and trapper.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

##### Discretely Presented Component Units

The Senior Citizens center is a non-profit entity which is subsidized by the County with operational funds and is utilizing county owned buildings to conduct services to the County. The Center is governed by a separate board which is not appointed by the County Commissioners, but reports monthly to the commissioners.

The Sterling Volunteer Fire Department was organized in 1963 and is governed by a nine-person Board of Directors. The Fire Department is subsidized annually by the County. The principal functions of the Fire Department are to save lives and to protect property endangered by fire or other disasters in Sterling County, Texas.

#### **NOTE 2: GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for proprietary and governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

Road & Bridge Fund - The Road & Bridge Fund accounts for financial resources restricted for the purpose of repairing roads and bridges and related expenditures.

Project Construction Fund - The Project Construction Fund is used to record the debt proceeds and the expenditures related to the major construction project of the County.

The County reports the following major proprietary fund:

Nursing Home Fund - This fund is used to account for the activities of the County's Nursing Home which is operated in a manner similar to a private business enterprise. The Nursing Home is supported by resident charges, state revenues, and subsidies from the County when needed to cover operational expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

# STERLING COUNTY, TEXAS

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

### **NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

#### Property Taxes

Property tax revenues are considered available when collected within the current period. The County levies property taxes prior to September 30 and become due on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2014 was \$.40781 per \$100 valuation.

Allowance for uncollectible tax receivables within the General Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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. The County capitalizes all capital outlay expenditures over \$5,000.

Pre-existing infrastructure older than 20 years is fully depreciated, and therefore, not recorded in the County's financial statements. Only new infrastructure is recorded as of September 30, 2004.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	50
Furniture and equipment	5-15
Infrastructure	20

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities. The long-term debt of the County includes bonds payable.

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. Transfers to component units 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. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Statement of Cash Flows

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County had \$73,927 classified as nonspendable at September 30, 2014.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for use only for a specific use. The County had \$4,577,376 restricted for road and bridge repairs and \$1,387,983 for special revenue projects.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

*Assigned* – This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to management through the budgetary process. The County has no funds classified as assigned at September 30, 2014.

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**NOTE 4: DEPOSITS AND INVESTMENTS**

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

Cash Deposits

Primary Government - At September 30, 2014, the carrying amount of the County's deposits and certificates of deposit was \$9,639,983. The bank balance at September 30, 2014, was \$9,939,912. The County's cash deposits and certificates of deposit at September 30, 2014, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

Investments

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

Statutes authorize the County to invest in 1) obligations of the U.S. Treasury or 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 County is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety or principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 4: DEPOSITS AND INVESTMENTS - continued**

The County's investments at September 30, 2014 are as follows:

		Cost Basis		Fair Value
Governmental Activities:				
Certificates of deposit	\$	2,100,000	\$	2,100,000
		2,100,000		2,100,000
Special Revenue Funds				
Certificates of deposit		20,000		20,000
		20,000		20,000
Total investments	\$	2,120,000	\$	2,120,000

Analysis of Specific Deposit and Investment Risk

*Interest rate risk:* In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the weighted average maturity portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the county shall not exceed three years from the time of purchase. The commissioners may specifically authorize a longer maturity for a given investment within legal limits.

*Credit risk:* State law and County policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2014, the County had \$2,120,000 in investments.

*Concentration of credit risk:* The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

*Custodial Credit Risk:* Custodial credit risk is the risk that deposits are exposed to if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2014, the County was not exposed to custodial credit risk.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 5: CAPITAL ASSETS**

A summary of changes in capital assets are as follows:

<b>PRIMARY GOVERNMENT</b>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated				
Land	\$ 6,238	\$	\$	\$ 6,238
Construction in progress				
Total capital assets not being depreciated	<u>6,238</u>			<u>6,238</u>
Capital assets being depreciated				
Buildings and improvements	1,503,985			1,503,985
Furniture and equipment	1,324,615	453,105	10,000	1,767,720
Vehicles	590,855	457,184	135,850	912,189
Infrastructure	473,081			473,081
Total capital assets being depreciated	<u>3,892,536</u>	<u>910,289</u>	<u>145,850</u>	<u>4,656,975</u>
Less accumulated depreciation for:				
Buildings and improvements	(484,883)	(58,151)		(543,034)
Furniture and equipment	(381,182)	(122,048)	3,111	(500,119)
Vehicles	(389,133)	(89,771)	135,850	(343,054)
Infrastructure	(137,246)	(23,654)		(160,900)
Total accumulated depreciation	<u>(1,392,444)</u>	<u>(293,624)</u>	<u>138,961</u>	<u>(1,547,107)</u>
Governmental activities capital assets, net	<u>\$ 2,506,330</u>	<u>\$ 616,665</u>	<u>\$ 6,889</u>	<u>\$ 3,116,106</u>

Depreciation was charged to functions as follows:

Road and bridge	\$ 106,923
County agent	6,969
County sheriff	32,784
General government	627
Volunteer fire department	23,587
EMS	40,716
County building operations	82,018
Total depreciation expense - governmental activities	<u>\$ 293,624</u>

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b><u>Business Type Activities</u></b>				
Capital assets being depreciated				
Buildings and improvements	\$ 1,629,398	\$ 24,516	\$	\$ 1,653,914
Furniture and equipment	333,093	17,667		350,760
Total capital assets being depreciated	<u>1,962,491</u>	<u>42,183</u>		<u>2,004,674</u>
Less accumulated depreciation for:				
Buildings and improvements	(869,393)	(37,069)		(906,462)
Furniture and equipment	(230,625)	(22,871)		(253,496)
Total accumulated depreciation	<u>(1,100,018)</u>	<u>(59,940)</u>		<u>(1,159,958)</u>
Business type activities capital assets, net	<u>\$ 862,473</u>	<u>\$ (17,757)</u>	<u>\$</u>	<u>\$ 844,716</u>

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 5: CAPITAL ASSETS - continued**

**DISCRETELY PRESENTED COMPONENT UNITS**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings and improvements	\$ 364,531	\$ 27,088	\$	\$ 391,619
Equipment and vehicles	129,163	44,686	_____	173,849
Total capital assets being depreciated	493,694	71,774	_____	565,468
Less accumulated depreciation for:				
Buildings and improvements	(132,254)	(9,513)	_____	(141,767)
Equipment and vehicles	(88,568)	(12,927)	_____	(101,495)
Total accumulated depreciation	(220,822)	(22,440)	_____	(243,262)
Capital assets, net	\$ 272,872	\$ 49,334	\$ _____	\$ 322,206

Depreciation was charged to functions as follows:

Sterling County Senior Center	\$ 10,571
Sterling Volunteer Fire Department	11,869
	\$ 22,440

**NOTE 6: LONG TERM DEBT**

A summary of changes in long term debt are as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
<b>Tax Notes</b>				
Series 2014	\$	\$ 5,100,000	\$	\$ 5,100,000
Total Long Term Debt	-	<b>5,100,000</b>	-	<b>5,100,000</b>

**Current Maturities of Long Term Debt are as follows:**

Fiscal Year	Principal	Interest	Total
2015	665,000	114,471	779,471
2016	705,000	77,159	782,159
2017	720,000	63,693	783,693
2018	730,000	49,991	779,991
2019	745,000	36,052	781,052
2020	760,000	21,829	781,829
2021	775,000	7,324	782,324
	\$ <b>5,100,000</b>	<b>370,519</b>	<b>5,470,519</b>

Long term debt at September 30, 2014 is comprised of one note issue of \$5.1 million dated May 14, 2014. These note funds will be used for road construction. This note is due in annual installments beginning February 15, 2015. Interest is 1.89% and is paid semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup> of each year.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

#### **NOTE 7: RETIREMENT COMMITMENTS**

##### 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 (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Sterling County can retire at age 60 and above with eight 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 eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

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 County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

##### Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) 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 contribution rate of the county is actuarially determined annually. The rate the County contributed for the months of the accounting year in 2014 was 8.20%. The deposit rate payable by the employee members for the calendar year 2014 is the rate of 7.00% as adopted by the governing body of the County. The employee deposit rate and the county contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

##### Annual Pension Cost

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

For the County's accounting year ending September 30, 2014, the annual pension cost for the plan was \$87,863, and the actual employee contributions were \$74,344.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 8: RETIREMENT COMMITMENTS - continued**

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees. These 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 years 2013 and 2012. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Information

Actuarial valuation date	<u>12/30/11</u>	<u>12/30/12</u>	<u>12/30/13</u>
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	30 years	30 years	30 years
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
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.4%	5.4%	4.94%
Inflation	3.5%	3.5%	3.0%
Cost of living adjustment	0.0%	0.0%	0.0%

\*Includes inflation at the stated rate

Schedule of Funding Information

Actuarial valuation date	<u>12/30/11</u>	<u>12/30/12</u>	<u>12/30/13</u>
Actuarial value of assets	\$ 5,159,693	\$ 5,402,956	\$5,780,332
Actuarial accrued liability (AAL)	4,880,617	5,087,983	5,314,941
Unfunded or (overfunded) AAL (UAAL)	(279,076)	(314,973)	(465,391)
Funded ratio	105.72%	106.19%	108.76%
Annual covered payroll	1,770,565	1,829,690	1,998,768
UAAL (AAL) as a % of covered Payroll	-15.76%	-17.21%	-23.28%

**NOTE 9: RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 10: FINANCIAL INSTRUMENTS**

The County has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at September 30, 2014, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash, accounts receivables, prepaid expenses, accounts payable, and payroll liabilities.

**NOTE 11: UNFAVORABLE BUDGET VARIANCES**

During the year ended September 30, 2014, the County had unfavorable budget variances in a few lines in the General Fund and Road & Bridge Fund. The overall expenditures did not exceed the budget, therefore funds were available in other line items to cover these overages.

**NOTE 12: DEFERRED INFLOWS OF RESOURCES**

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changes how governments organize their statements of financial position (such as the current government-wide statements of net position and the governmental funds balance sheet). Under these standards, financial statements include deferred outflows of resources and deferred inflows of resources (“deferrals”), in addition to assets and liabilities, and report *net position* instead of net assets. GASB Statement No. 63 was effective for financial statements for periods beginning after December 15, 2011.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds of unavailable revenues are as follows:

Net tax revenue	\$ 18,703
-----------------	-----------

**NOTE 13: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were made to beginning fund balance in both the government wide and the fund financial statements. The adjustments were due to re-classifications of net assets, accrued interest on investments, and capitalization of certain assets. The following schedule details the changes in the net position of the entity in the government wide financial statements.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 13: PRIOR PERIOD ADJUSTMENTS - continued**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Component Units</b>
Reclassify Senior Citizens capital assets	\$ (220,838)	\$	\$ 220,838
Reclassify Senior Citizens net position			32,718
Reclassify Nursing Home Net Position from Component Unit to Business-Type Activities		857,048	(857,048)
Remove duplicate Nursing Home capital assets	(654,850)		
Move select capital assets from the Volunteer Fire Department to the Governmental Activities	42,532		(42,532)
Reclassify funds from Fiduciary Funds to Governmental Activities	118,756		
Miscellaneous Adjustments	(8)		
<b>Total changes in net position</b>	<b>\$ (714,408)</b>	<b>\$ 857,048</b>	<b>\$ (646,024)</b>

REQUIRED SUPPLEMENTARY INFORMATION

**STERLING COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 2,482,296	\$ 2,482,296	\$ 2,485,454	\$ 3,158
Fees	204,500	204,500	148,623	(55,877)
Fines and forfeitures	266,000	266,000	283,280	17,280
Clinic revenue	125,000	125,000	184,768	59,768
Investment earnings	13,500	13,500	15,042	1,542
Rental revenues	2,400	2,400	2,400	
Intergovernmental	63,834	63,834	217,391	153,557
EMS revenue	62,000	62,000	69,333	7,333
Miscellaneous	55,654	55,654	150,005	94,351
Total Revenues	<u>3,275,184</u>	<u>3,275,184</u>	<u>3,556,296</u>	<u>281,112</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	631,457	457,387	412,339	45,048
County judge	80,693	80,679	75,149	5,530
County and district clerk	168,300	168,300	141,846	26,454
Justice of the peace	111,475	111,475	108,892	2,583
County attorney	89,835	89,849	89,846	3
County treasurer	67,494	66,993	64,964	2,029
County tax collector	102,069	99,009	95,226	3,783
County building operations	181,863	175,863	173,052	2,811
County sheriff	425,423	425,423	429,879	(4,456)
County agent	66,428	65,810	63,504	2,306
Trapper	64,800	64,800	64,800	
Senior citizens	31,700	31,700	31,700	
Volunteer fire department	265,000	244,000	14,978	229,022
Clinic	262,000	285,604	285,782	(178)
EMS	164,287	215,903	216,584	(681)
Capital outlay	30,000	192,678	421,408	(228,730)
Total Expenditures	<u>2,742,824</u>	<u>2,775,473</u>	<u>2,689,949</u>	<u>85,524</u>
Excess (deficiency) of revenues over expenditures	<u>532,360</u>	<u>499,711</u>	<u>866,347</u>	<u>366,636</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(532,360)	(640,471)	(572,153)	68,318
Proceeds from sale of assets			4,271	4,271
Total other financing sources (uses)	<u>(532,360)</u>	<u>(640,471)</u>	<u>(567,882)</u>	<u>72,589</u>
Net Change in Fund Balance		(140,760)	298,465	439,225
Fund Balance - Beginning	3,464,234	3,464,234	3,464,234	
Prior Period Adjustments	(387,174)	(387,174)	(387,174)	
Fund Balance - Ending	<u>\$ 3,077,060</u>	<u>\$ 2,936,300</u>	<u>\$ 3,375,525</u>	<u>\$ 439,225</u>

**STERLING COUNTY, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - ROAD & BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 480,367	\$ 480,367	\$ 481,859	\$ 1,492
Licenses and permits	93,750	93,750	112,214	18,464
Fees	501	501	2,321	1,820
Investment earnings	1,000	1,000	848	(152)
Intergovernmental	6,880	6,880	18,534	11,654
Miscellaneous	40,000	40,000	78,581	38,581
Total Revenues	<u>622,498</u>	<u>622,498</u>	<u>694,357</u>	<u>71,859</u>
<b>Expenditures</b>				
Commissioner's salary	82,320	82,320	82,320	
Road foreman salary	42,100	42,100	42,100	
Landfill salary	3,890	3,890	3,665	225
Cell phone allowance	1,200	1,425	1,425	
Road salary	60,200	60,200	47,730	12,470
Social security	14,514	14,514	13,559	955
Group hospital insurance	68,000	68,000	58,811	9,189
Retirement	15,700	15,700	14,647	1,053
Permit and landfill fees	3,500	4,319	4,319	
Fuel and oil	18,000	28,794	32,665	(3,871)
Supplies	500	1,554	1,554	
County barn maintenance	500	500	494	6
Telephone	675	683	683	
Travel expenses	5,000	2,328	1,492	836
Utilities	1,896	1,903	1,903	
Machine parts and repairs	28,000	37,540	37,540	
Road materials and repairs	223,423	203,089	87,228	115,861
Lateral road funds	6,880	6,880	6,880	
Miscellaneous expense	1,200	1,759	1,759	
Capital outlay	45,000	45,000	35,776	9,224
Total Expenditures	<u>622,498</u>	<u>622,498</u>	<u>476,550</u>	<u>145,948</u>
Excess (deficiency) of revenues over expenditures			<u>217,807</u>	<u>217,807</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets			<u>34,969</u>	<u>34,969</u>
Total other financing sources (uses)			<u>34,969</u>	<u>34,969</u>
Net Change in Fund Balance			252,776	252,776
Fund Balance - Beginning	616,320	616,320	616,320	
Prior Period Adjustments	<u>16,864</u>	<u>16,864</u>	<u>16,864</u>	
Fund Balance - Ending	<u>\$ 633,184</u>	<u>\$ 633,184</u>	<u>\$ 885,960</u>	<u>\$ 252,776</u>

OTHER SUPPLEMENTARY INFORMATION

**STERLING COUNTY, TEXAS**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	Jury Fund	Records Management	Courthouse Security	Technology Fund
<b>ASSETS</b>				
Cash and cash investments	\$ 68,939	\$ 13,787	\$ 40,573	\$ 28,247
Investments	300,000		20,000	
Accrued interest receivable	421		77	
Intergovernmental receivable	1,077			
Total Assets	\$ 370,437	\$ 13,787	\$ 60,650	\$ 28,247
<b>LIABILITIES</b>				
Accrued interest payable	\$ _____	\$ _____	\$ _____	\$ _____
Total Liabilities	_____	_____	_____	_____
<b>FUND BALANCE</b>				
Restricted	370,437	13,787	60,650	28,247
Unassigned	_____	_____	_____	_____
Total Fund Balance	370,437	13,787	60,650	28,247
Total Liabilities and Fund Balance	\$ 370,437	\$ 13,787	\$ 60,650	\$ 28,247

Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Debt Service	Total Nonmajor Governmental Funds
\$ 1,864	\$ 566	\$ 5,988	\$ 20,484	\$ 3,901	\$ 184,349
					320,000
					498
					1,077
<u>\$ 1,864</u>	<u>\$ 566</u>	<u>\$ 5,988</u>	<u>\$ 20,484</u>	<u>\$ 3,901</u>	<u>\$ 505,924</u>
\$	\$	\$	\$	\$ 36,146	\$ 36,146
				36,146	36,146
1,864	566	5,988	20,484	(32,245)	502,023
					(32,245)
<u>1,864</u>	<u>566</u>	<u>5,988</u>	<u>20,484</u>	<u>(32,245)</u>	<u>469,778</u>
<u>\$ 1,864</u>	<u>\$ 566</u>	<u>\$ 5,988</u>	<u>\$ 20,484</u>	<u>\$ 3,901</u>	<u>\$ 505,924</u>

**STERLING COUNTY, TEXAS**

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

	Jury Fund	Records Management	Courthouse Security	Technology Fund
<b>REVENUES:</b>				
Fees	\$ 1,840	\$ 9,727	\$ 13,535	\$ 12,260
Intergovernmental	8,927			
Investment earnings	1,539	12	155	28
Total Revenues	12,306	9,739	13,690	12,288
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	2,467		193	
Other operating	23,967	5,721	1,245	13,788
Debt service:				
Interest expense				
Total Expenditures	26,434	5,721	1,438	13,788
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	(14,128)	4,018	12,252	(1,500)
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from financing agreements				
Total Other Financing Sources				
<b>NET CHANGE IN FUND BALANCE</b>	(14,128)	4,018	12,252	(1,500)
<b>FUND BALANCE - BEGINNING</b>		9,769		
Prior Period Adjustment	384,565		48,398	29,747
<b>FUND BALANCE - ENDING</b>	\$ 370,437	\$ 13,787	\$ 60,650	\$ 28,247

Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Debt Service	Total Nonmajor Governmental Funds
\$ 609	\$ 280	\$ 1,028	\$ 8,115	\$	\$ 46,366
<u>2</u>	<u>1</u>		<u>17</u>	<u>1</u>	<u>9,955</u>
<u>611</u>	<u>281</u>	<u>1,028</u>	<u>8,132</u>	<u>1</u>	<u>1,755</u>
					2,660
		2,474	4,989		52,184
				<u>36,146</u>	<u>36,146</u>
		<u>2,474</u>	<u>4,989</u>	<u>36,146</u>	<u>90,990</u>
611	281	(1,446)	3,143	(36,145)	(32,914)
				<u>3,900</u>	<u>3,900</u>
				<u>3,900</u>	<u>3,900</u>
611	281	(1,446)	3,143	(32,245)	(29,014)
					9,769
<u>1,253</u>	<u>285</u>	<u>7,434</u>	<u>17,341</u>		<u>489,023</u>
<u>\$ 1,864</u>	<u>\$ 566</u>	<u>\$ 5,988</u>	<u>\$ 20,484</u>	<u>\$ (32,245)</u>	<u>\$ 469,778</u>

**STERLING COUNTY, TEXAS**

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2014

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Current:			
Cash and investments	\$ 30,133	\$ 7,386	\$ 37,519
Total current assets	<u>30,133</u>	<u>7,386</u>	<u>37,519</u>
Noncurrent assets:			
Property and equipment, net	<u>84,851</u>	<u>237,355</u>	<u>322,206</u>
Total noncurrent assets	<u>84,851</u>	<u>237,355</u>	<u>322,206</u>
<b>TOTAL ASSETS</b>	<u>114,984</u>	<u>244,741</u>	<u>359,725</u>
 <b>NET POSITION</b>			
Net investment in capital assets	84,851	237,355	322,206
Unrestricted	<u>30,133</u>	<u>7,386</u>	<u>37,519</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 114,984</u></u>	<u><u>\$ 244,741</u></u>	<u><u>\$ 359,725</u></u>

**STERLING COUNTY, TEXAS**

**COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
<b>REVENUES:</b>			
Fees and charges for services	\$	\$ 9,874	\$ 9,874
Donations	25,532	414	25,946
Intergovernmental	14,977	37,351	52,328
Investment earnings	23		23
	<u>40,532</u>	<u>47,639</u>	<u>88,171</u>
Total Revenues			
<b>EXPENDITURES:</b>			
Current:			
Salaries and benefits		21,603	21,603
Occupancy costs	5,414	6,683	12,097
Repairs and supplies	19,424	4,135	23,559
Depreciation	11,868	10,571	22,439
Other operating	12,950	13,461	26,411
	<u>49,656</u>	<u>56,453</u>	<u>106,109</u>
Total Expenditures			
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(9,124)	(8,814)	(17,938)
NET POSITION - BEGINNING OF YEAR	166,639		166,639
Prior period adjustment	<u>(42,531)</u>	<u>253,555</u>	<u>211,024</u>
NET POSITION - END OF YEAR	<u>\$ 114,984</u>	<u>\$ 244,741</u>	<u>\$ 359,725</u>

# BECKY ROBERTS, CPA

104 Pine Street, Suite 610  
ABILENE, TEXAS 79601  
(325) 665-5239  
becky.roberts@rm-cpa.net

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

To the Commissioner's Court  
Sterling County, Texas

I 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Sterling County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Sterling County, Texas' basic financial statements, and have issued my report thereon dated February 6, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sterling County, Texas' financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Becky Roberts, CPA". The signature is written in a cursive style.

**BECKY ROBERTS, CPA**

Abilene, Texas,  
February 6, 2015