

ANGELINA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

INTRODUCTORY SECTION

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ANGELINA COUNTY, TEXAS
PRINCIPAL OFFICIALS
DECEMBER 31, 2013

GOVERNING BODY

Honorable Wes Suiter County Judge
Mr. Steve Allen Commissioner, Precinct 1
Mr. Kenneth Timmons Commissioner, Precinct 2
Mr. Robert Loggins Commissioner, Precinct 3
Mr. Scott Cooper Commissioner, Precinct 4

OTHER PRINCIPAL OFFICIALS

Ms. Thelma Sherman Tax Assessor-Collector
Mr. Eddie L. Gray County Auditor
Mr. Ed Jones County Attorney
Mr. Art Bauereiss District Attorney
Ms. Reba Squyres District Clerk
Ms. JoAnn Chastain County Clerk
Ms. Deborah Huffman County Treasurer
Mr. Greg Sanches County Sheriff

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FINANCIAL SECTION

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Ted A. Lankford, CPA
Glenda J. Hiers, CPA
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AL&H ALEXANDER LANKFORD & HIERS, INC.

Yvette Sidnell, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Members of the Commissioners' Court
Angelina County
Lufkin, Texas

Report on the Financial Statements

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 Angelina County, Texas (County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Angelina County, Texas as of December 31, 2013, 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, budgetary comparison information and schedule of funding progress of pension plan on pages 11 through 20 and 69 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Angelina County, Texas' basic financial statements. The introductory section and combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Report on the Financial Statements - Continued

Other Matters - Continued

Other Information - Continued

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014 on our consideration of Angelina County, Texas' 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 Angelina County's internal control over financial reporting and compliance.

Alexander, Lankford + Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.

Certified Public Accountants

Lufkin, Texas

September 12, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Angelina County, Texas (County), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,420,117 (net position). Of this amount, \$11,999,990 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position (government-wide) increased by \$2,756,466. This is due primarily to a decrease in expenditures of \$6,561,617, a decrease in charges for services of \$770,531, a decrease in grants and contributions of \$2,610,626, an increase in general revenues of \$336,763 in the governmental activities from prior year, and a decrease in expenditures of \$176,439, a decrease in charges for services of \$84,203, and an increase in general revenues of \$855,118 in the business-type activities.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,513,130, an increase of \$1,985,928 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,402,839, or 37 percent of total General Fund expenditures.
- The County's total debt decreased by \$1,195,222 (9 percent) during the fiscal year. The key factors in this decrease were the retirement of \$1,406,421 of bonds and capital leases, the increase in landfill closure and post closure liability of \$270,416, a decrease in long-term compensated absences of \$36,160 and amortization of bond premiums of \$23,057.

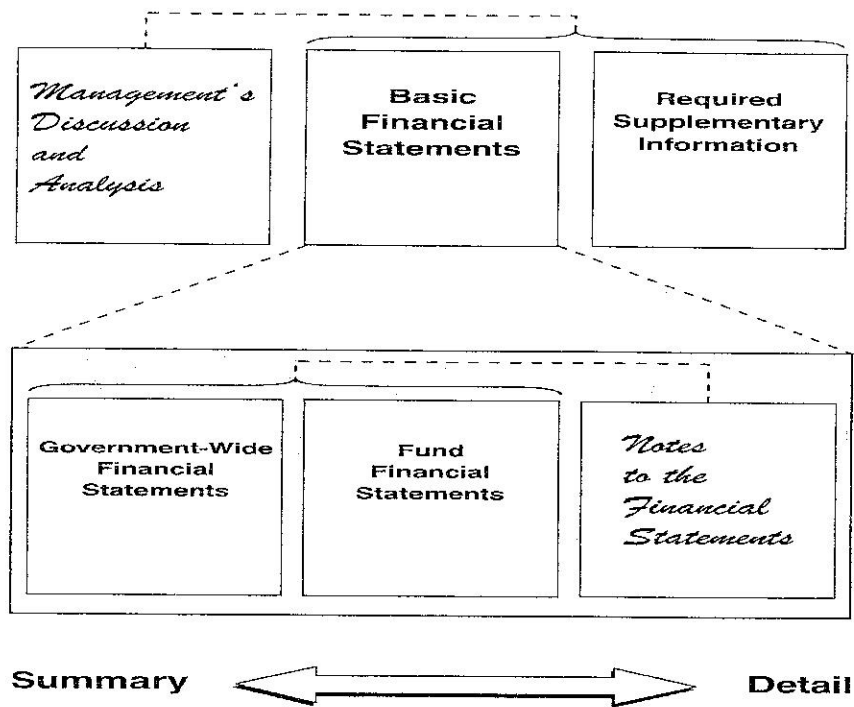
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information* (RSI). This discussion and analysis serves as an introduction to the County's basic financial statements which are comprised of 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.

The basic financial statements include two kinds of statements that present different views of the County:

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-1



The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government. These statements report the County's operations in more detail than the government-wide statements.

The governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending.

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

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain.

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-2

Major Features of County's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses	Instances in which the County is the trustee or agent for someone else's resources
Required Financial Statements	Statement of Net Position Statement of Activities	Balance sheet Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is during due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, public safety and roads and bridges. The business-type activities of the County include a landfill and an airport.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements - Continued

The management of the County has reviewed other entities and activities for possible inclusion in the reporting entity. No other entities or activities are included within the County's reporting entity.

The government-wide financial statements can be found on pages 21 - 23 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash resources flow into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting which requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County adopts an annual budget for its General Fund and Road and Bridge Funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with the budgets.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Proprietary Funds

The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its landfill and airport. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insured group health insurance plan. This service benefits both governmental and business-type functions, which result in an allocation, based on participants, between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Landfill and Airport Funds, both of which are considered to be major funds of the County. The internal service fund is presented in the proprietary fund financial statements.

Fiduciary Funds

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

The fund financial statements can be found on pages 24 - 39 of this report.

Notes to 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 financial statements can be found on pages 41 - 65 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The RSI includes the budgetary comparison schedules for the General Fund, major special revenue funds and the Schedule of Funding Progress for the pension plan. Required supplementary information can be found on pages 69 - 72 of this report.

The combining statements in connection with nonmajor governmental funds and fiduciary funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 77 - 81 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$40,420,117 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position (in thousands).

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 30,769	\$ 29,231	\$ 12,150	\$ 11,398	\$ 42,919	\$ 40,629
Capital assets	24,400	25,000	6,086	7,401	30,486	32,401
Total assets	55,169	54,231	18,236	18,799	73,405	73,030
Deferred outflows of resources	46	52			46	52
Long-term liabilities	7,205	8,671	5,456	5,185	12,661	13,856
Other liabilities	3,903	5,765	123	153	4,026	5,918
Total liabilities	11,108	14,436	5,579	5,338	16,687	19,774
Deferred inflows of resources	16,344	15,645			16,344	15,645
Net position:						
Net investment in capital assets	17,334	16,504	6,086	7,401	23,420	23,905
Restricted	303	294	4,697	4,745	5,000	5,039
Unrestricted	10,126	7,404	1,874	1,315	12,000	8,719
Total net position	\$ 27,763	\$ 24,202	\$ 12,657	\$ 13,461	\$ 40,420	\$ 37,663

- The largest portion of the County's net position (58 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, equipment and infrastructure assets), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the County's net position (12 percent) represents resources that are subject to external restrictions on how they can be used.
- The remaining balance of the County's net position (30 percent) represents unrestricted financial resources which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the County is able to report a positive balance in all three categories of net position both for the government as a whole, as well as for its separate governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Analysis of the County's Operations

The following table provides a summary of the County's operations for the year ended December 31, 2013. Governmental activities increased the County's net position by \$3,560,994 and the business-type activities decreased the County's net position by \$804,528 accounting for all of the change in net position (in thousands).

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 5,356	\$ 6,126	\$ 3,533	\$ 3,617	\$ 8,889	\$ 9,743
Operating grants and contributions	4,536	8,092			4,536	8,092
Capital grants and contributions	1,076	130			1,076	130
General Revenues:						
Ad valorem taxes	16,574	15,659			16,574	15,659
Sales taxes	5,777	5,581			5,777	5,581
Other taxes	66	86			66	86
Unrestricted interest income	101	75	17	136	118	211
Miscellaneous	624	292	11	33	635	325
Gain (loss) on sale of capital assets		82		4		86
Total revenues	34,110	36,123	3,561	3,790	37,671	39,913
Expenses:						
Administrative	8,140	12,156			8,140	12,156
Judicial and law enforcement	16,596	18,793			16,596	18,793
Health, welfare and sanitation	1,664	1,411			1,664	1,411
Highways and streets	3,897	4,293			3,897	4,293
Extension service	126	135			126	135
Interest and fiscal charges	126	322			126	322
Landfill			2,190	2,251	2,190	2,251
Airport			2,175	2,291	2,175	2,291
Total expenses	30,549	37,110	4,365	4,542	34,914	41,652
Excess (deficiency) before transfers	3,561	(987)	(804)	(752)	2,757	(1,739)
Transfers		1,000		(1,000)		
Change in net position	3,561	13	(804)	(1,752)	2,757	(1,739)
Net position, beginning of year	24,202	24,189	13,461	15,213	37,663	39,402
Net position, end of year	\$ 27,763	\$ 24,202	\$ 12,657	\$ 13,461	\$ 40,420	\$ 37,663

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

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

As the County completed the year, its governmental funds, as presented in the balance sheet on page 24 - 25, reported a *combined* fund balance of \$9,513,130, which is an increase of \$1,985,928 from last year's total of \$7,527,202. Less than one percent of the total fund balance or \$36,277 is considered nonspendable because it is not in spendable form. Three percent of the total fund balance or \$303,624 is considered restricted for debt service. Nineteen percent or \$1,770,390 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include \$652,435 for 2014 budget deficits, \$370,222 for road and bridge, and \$747,733 for other purposes. The remaining seventy-eight percent of the total fund balance or \$7,402,839 is considered unassigned.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,402,839. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of total General Fund expenditures.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Landfill Fund and Airport Fund at the end of the current fiscal year amounted to \$544,190 and \$1,329,646, respectively. The amount of net position invested in capital assets at the end of the year was \$2,425,926 and \$3,660,308 for the Landfill and Airport Funds, respectively. Net position restricted for landfill closure and capital outlay at the end of the year amounted to \$3,918,331 and \$778,214, respectively. The change in net position was \$44,920 for the Landfill Fund and \$(849,448) for the Airport Fund. Other factors concerning the finances of these two funds have been addressed in the discussion of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The budget was amended 6 times during the year. Differences between the original budget and the final budget were not significant. (No change in budgeted revenues and \$242,900 in budgeted expenditures.)

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GENERAL FUND BUDGETARY HIGHLIGHTS - CONTINUED

Differences between the actual results and the final budget were significant (\$1,650,137 increase in actual revenues and \$436,171 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$494,125 in ad valorem taxes was due to better tax collections than anticipated.
- Increase of \$603,838 in sales tax revenues was due to better retail sales activity than anticipated.
- Increase of \$621,463 in intergovernmental revenues was due to receiving additional federal and state grant awards.
- Decrease of \$332,141 in administrative was primarily due to \$93,270 in Information Technology, \$40,870 in General, \$39,050 in County Auditor, \$28,495 in County Commissioners and \$26,345 in County Treasurer.
- Decrease of \$759,317 in judicial and law enforcement was primarily due to \$359,682 in County Jail and \$290,656 in County Sheriff.
- Increase of \$663,828 in health, welfare and sanitation expenditures was primarily due to additional costs for indigent health care.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$30,486,081 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and roads and bridges (in thousands).

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Land	\$ 700	\$ 700	\$ 2,111	\$ 2,111	\$ 2,811	\$ 2,811
Buildings and improvements	22,880	22,289	5,023	5,023	27,903	27,312
Machinery and equipment	11,906	11,561	4,759	4,769	16,665	16,330
Infrastructure	67,483	68,553	8,940	8,940	76,423	77,493
Construction in progress	1,081	707			1,081	707
Less: accumulated depreciation	(79,650)	(78,810)	(14,747)	(13,442)	(94,397)	(92,252)
Total	\$ 24,400	\$ 25,000	\$ 6,086	\$ 7,401	\$ 30,486	\$ 32,401

Additional information regarding the County's capital assets can be found in the Capital Assets Note on pages 55 - 57 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$12,660,906 (in thousands).

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2013	2012	2013	2012	2013	2012
Refunding bonds	\$ 6,845	\$ 8,195			\$ 6,845	\$ 8,195
Refunding bonds premium	187	211			187	211
Capital leases	34	90			34	90
Compensated absences	139	175			139	175
Landfill closure and postclosure			\$ 5,456	\$ 5,185	5,456	5,185
Total	\$ 7,205	\$ 8,671	\$ 5,456	\$ 5,185	\$ 12,661	\$ 13,856

The County's total debt decreased by \$1,195,222 (9 percent) during the current year. The key factors in this decrease were the increase in the landfill closure/post closure liability and the scheduled repayment of long-term debt. The County maintains an "Aaa" rating from Moody's for its debt issuance.

Additional information on the County's long-term debt can be found in the Long-Term Debt note on pages 57 - 59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The County's unemployment rate for the current fiscal year was 6.3 percent and 6.2 percent in the previous year. This is higher than the state's unemployment rate of 5.1 percent.
- The state sales tax receipts for the current fiscal year totaled \$5,703,838, an increase of \$201,657 (4 percent) from the previous year indicating an improvement in the retail economy.
- Economic trends in the region compare favorably with state and national indices.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$1,939,489. The County expects the fiscal year 2014 projected expenditures to exceed the projected revenues by \$327,015.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, P.O. Box 727, Lufkin, Texas 75902-0727.

ANGELINA COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 5,199,461	\$ 7,947,471	\$ 13,146,932
Investments	12,000,000		12,000,000
Receivables:			
Taxes	11,040,434		11,040,434
Accounts	10,203,782	219,357	10,423,139
Intergovernmental	1,924,286		1,924,286
Other	1,709,065		1,709,065
Allowance for uncollectible	(11,344,374)		(11,344,374)
Inventory		64,617	64,617
Prepaid items	36,277		36,277
Restricted assets		3,918,331	3,918,331
Capital assets not being depreciated	1,781,129	2,111,449	3,892,578
Capital assets being depreciated (net of accumulated depreciation)	22,618,718	3,974,785	26,593,503
Total assets	<u>55,168,778</u>	<u>18,236,010</u>	<u>73,404,788</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from 2012 bond refunding	46,014		46,014
Total deferred outflows of resources	<u>46,014</u>		<u>46,014</u>
LIABILITIES			
Accounts payable	1,749,559	20,408	1,769,967
Accrued interest	51,416		51,416
Accrued liabilities	1,651,224	102,938	1,754,162
Advances from grantors	450,171		450,171
Noncurrent liabilities:			
Due within one year	1,431,846	2,098,311	3,530,157
Due in more than one year	5,773,125	3,357,738	9,130,863
Total liabilities	<u>11,107,341</u>	<u>5,579,395</u>	<u>16,686,736</u>
DEFERRED INFLOWS OF RESOURCES			
2014 property taxes	16,343,949		16,343,949
Total deferred inflows of resources	<u>16,343,949</u>		<u>16,343,949</u>
NET POSITION			
Net investment in capital assets	17,333,724	6,086,234	23,419,958
Restricted for:			
Retirement of debt	303,624		303,624
Other purposes		4,696,545	4,696,545
Unrestricted	10,126,154	1,873,836	11,999,990
Total net position	<u>\$ 27,763,502</u>	<u>\$ 12,656,615</u>	<u>\$ 40,420,117</u>

The accompanying notes are an integral part of this financial statement.

ANGELINA COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES <u>CHARGES FOR SERVICES</u>
Governmental Activities:		
Administrative	\$ 8,140,311	\$ 1,650,174
Judicial and law enforcement	16,595,626	2,217,591
Health, welfare and sanitation	1,664,257	42,523
Highways and streets	3,896,969	1,445,537
Extension service	125,874	
Interest and fiscal charges	125,565	
	<hr/>	<hr/>
Total governmental activities	30,548,602	5,355,825
Business-Type Activities:		
Landfill	2,190,340	2,216,319
Airport	2,175,106	1,316,233
	<hr/>	<hr/>
Total business-type activities	4,365,446	3,532,552
	<hr/>	<hr/>
Total	\$ 34,914,048	\$ 8,888,377

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
\$ 188,409	\$ 604,277	\$ (5,697,451)		\$ (5,697,451)
4,218,021	40,000	(10,120,014)		(10,120,014)
		(1,621,734)		(1,621,734)
129,749	431,257	(1,890,426)		(1,890,426)
		(125,874)		(125,874)
		(125,565)		(125,565)
4,536,179	1,075,534	(19,581,064)		(19,581,064)
			\$ 25,979	25,979
			(858,873)	(858,873)
			(832,894)	(832,894)
\$ 4,536,179	\$ 1,075,534	(19,581,064)	(832,894)	(20,413,958)

General Revenues:

Ad valorem taxes	16,574,417		16,574,417
Sales taxes	5,776,673		5,776,673
Other taxes	66,227		66,227
Unrestricted interest income	100,811	17,300	118,111
Miscellaneous	623,930	11,066	634,996
Total general revenues	23,142,058	28,366	23,170,424
Change in net position	3,560,994	(804,528)	2,756,466
Net position, beginning of year	24,202,508	13,461,143	37,663,651
Net position, end of year	\$ 27,763,502	\$ 12,656,615	\$ 40,420,117

The accompanying notes are an integral part of this financial statement.

**ANGELINA COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	GENERAL
ASSETS	
Cash and cash equivalents	\$ 1,474,984
Investments	12,000,000
Receivables:	
Taxes	11,040,434
Accounts	10,161,290
Intergovernmental	
Other	1,489,580
Allowance for uncollectible	(11,344,374)
Due from other funds	2,097,922
Prepaid items	36,277
Total assets	\$ 26,956,113
LIABILITIES	
Accounts payable	\$ 733,755
Accrued compensated absences	324,217
Accrued liabilities	1,005,608
Due to other funds	3,695,530
Unearned revenue	149,883
Total liabilities	5,908,993
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	13,280,989
Total deferred inflows of resources	13,280,989
FUND BALANCES	
Nonspendable	36,277
Restricted	
Assigned	327,015
Unassigned	7,402,839
Total fund balances	7,766,131
Total liabilities, deferred inflows of resources and fund balances	\$ 26,956,113

ROAD AND BRIDGE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 933,373	\$ 2,014,935	\$ 4,423,292
		12,000,000
		11,040,434
		10,161,290
	1,924,286	1,924,286
	219,485	1,709,065
1,981,064	1,577,650	(11,344,374)
		5,656,636
		36,277
<u>\$ 2,914,437</u>	<u>\$ 5,736,356</u>	<u>\$ 35,606,906</u>
\$ 75,570	\$ 686,717	\$ 1,496,042
51,905	29,964	406,086
61,311	178,219	1,245,138
	1,961,106	5,656,636
48,945	251,343	450,171
<u>237,731</u>	<u>3,107,349</u>	<u>9,254,073</u>
<u>1,981,064</u>	<u>1,577,650</u>	<u>16,839,703</u>
<u>1,981,064</u>	<u>1,577,650</u>	<u>16,839,703</u>
		36,277
	303,624	303,624
695,642	747,733	1,770,390
		7,402,839
<u>695,642</u>	<u>1,051,357</u>	<u>9,513,130</u>
<u>\$ 2,914,437</u>	<u>\$ 5,736,356</u>	<u>\$ 35,606,906</u>

The accompanying notes are an integral part of this financial statement.

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**ANGELINA COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Total fund balances - governmental funds balance sheet (pages 24-25)	\$	9,513,130
Amounts reported for governmental activities in the statement of net position (page 23) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,399,847
Certain debt issuance costs are amortized over the life of the bonds and therefore do not consume available financial resources.		46,014
Certain revenues are not available to pay current period expenditures and therefore are reported as unearned and unavailable in the governmental funds.		495,754
An internal service fund is used by management to charge the cost of health insurance. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		565,144
Payables for long-term liabilities, including bonds, certificates of obligation, tax notes and capital leases, are not due in the current period and therefore are not reported in the governmental funds.		(7,066,123)
Payables for accrued compensated absences which are not due in the current period are not reported in the governmental funds.		(138,848)
Payable for accrued interest on long-term liabilities which is not due in the current period is not reported in the governmental funds.		<u>(51,416)</u>
Net position of governmental activities (page 21)		<u><u>\$ 27,763,502</u></u>

The accompanying notes are an integral part of this financial statement.

ANGELINA COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL
Revenues:	
Ad valorem taxes	\$ 13,006,152
Sales taxes	5,703,838
Other taxes	66,227
Intergovernmental	828,963
Charges for services	123,464
Fines and fees	2,530,809
Interest income	68,597
Contributions and donations	1,439
Other revenues	334,675
	334,675
Total revenues	22,664,164
Expenditures:	
Current:	
Administrative	6,382,484
Judicial and law enforcement	11,731,586
Health, welfare and sanitation	1,637,330
Highways and streets	
Extension service	122,556
Debt service:	
Principal	
Interest and fiscal charges	
Capital outlay	
	122,556
Total expenditures	19,873,956
Excess (deficiency) of revenues over expenditures	2,790,208
Other Financing Sources (Uses)	
Operating transfers in	7,000
Operating transfers out	(971,477)
	(964,477)
Total other financing sources (uses)	(964,477)
Net change in fund balances	1,825,731
Fund balances, beginning of year	5,940,400
Fund balances, end of year	\$ 7,766,131

ROAD AND BRIDGE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,981,065	\$ 1,587,200	\$ 16,574,417
72,835		5,776,673
129,749	4,653,001	66,227
1,445,537	1,267,039	5,611,713
13,485	14,835	123,464
3,503	176,503	5,243,385
		96,917
		1,439
		514,681
<u>3,646,174</u>	<u>7,698,578</u>	<u>34,008,916</u>
	1,089,991	7,472,475
	4,949,163	16,680,749
	31,686	1,669,016
3,482,272	431,257	3,913,529
		122,556
56,421	1,350,000	1,406,421
2,146	150,900	153,046
	605,196	605,196
<u>3,540,839</u>	<u>8,608,193</u>	<u>32,022,988</u>
<u>105,335</u>	<u>(909,615)</u>	<u>1,985,928</u>
	1,044,573	1,051,573
	(80,096)	(1,051,573)
	964,477	
105,335	54,862	1,985,928
590,307	996,495	7,527,202
<u>\$ 695,642</u>	<u>\$ 1,051,357</u>	<u>\$ 9,513,130</u>

The accompanying notes are an integral part of this financial statement.

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**ANGELINA COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balances - total governmental funds (pages 28 - 29)	\$ 1,985,928
Amounts reported for governmental activities in the statement of activities (pages 24 - 25) are different because:	
Capital outlays are not reported as expenses in the statement of activities.	1,565,094
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,126,158)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(38,988)
Certain bond issuance costs are amortized over the life of the bonds and are not available to pay for current-period expenditures and therefore, are not reported in the funds.	(5,663)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,024)
An internal service fund is used by management to charge the cost of group medical self-insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.	716,194
Repayment of long-term debt is an expenditure in the funds, but is not an expense in the statement of activities.	1,406,421
Bond premiums are reported as revenue in the funds but amortized over the life of the bonds on the statement of activities.	23,057
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	36,046
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	<u>10,087</u>
Change in net position of governmental activities (pages 22 - 23)	<u><u>\$ 3,560,994</u></u>

The accompanying notes are an integral part of this financial statement.

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ANGELINA COUNTY, TEXAS
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2013

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	LANDFILL	AIRPORT	TOTALS	EMPLOYEE BENEFIT
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,685,262	\$ 1,262,209	\$ 7,947,471	\$ 776,169
Receivables (net of allowance for uncollectible of \$0)				
Accounts	182,285	37,072	219,357	42,492
Other				
Inventory		64,617	64,617	
Total current assets	<u>6,867,547</u>	<u>1,363,898</u>	<u>8,231,445</u>	<u>818,661</u>
Noncurrent assets:				
Restricted assets:				
Restricted cash and cash equivalents - Landfill trust account	147,985		147,985	
Restricted investments - Landfill trust account	<u>3,770,346</u>		<u>3,770,346</u>	
Total restricted assets	<u>3,918,331</u>		<u>3,918,331</u>	
Capital assets (net of accumulated depreciation)	<u>2,425,926</u>	<u>3,660,308</u>	<u>6,086,234</u>	
Total noncurrent assets	<u>6,344,257</u>	<u>3,660,308</u>	<u>10,004,565</u>	
Total assets	<u>13,211,804</u>	<u>5,024,206</u>	<u>18,236,010</u>	<u>818,661</u>
LIABILITIES				
Current liabilities:				
Accounts/claims payable	12,142	8,266	20,408	253,517
Accrued compensated absences	18,908	13,191	32,099	
Accrued liabilities	58,044	12,795	70,839	
Estimated liability for landfill closure and post closure costs - current maturities	<u>2,098,311</u>		<u>2,098,311</u>	
Total current liabilities	<u>2,187,405</u>	<u>34,252</u>	<u>2,221,657</u>	<u>253,517</u>

The accompanying notes are an integral part of this financial statement.

**ANGELINA COUNTY, TEXAS
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS - CONTINUED
DECEMBER 31, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	LANDFILL	AIRPORT	TOTALS	EMPLOYEE BENEFIT
LIABILITIES - CONTINUED				
Noncurrent liabilities:				
Estimated liability for landfill closure and postclosure costs	3,357,738		3,357,738	
Total noncurrent liabilities	3,357,738		3,357,738	
Total liabilities	5,545,143	34,252	5,579,395	253,517
NET POSITION				
Net investment in capital assets	2,425,926	3,660,308	6,086,234	
Restricted for landfill closure	3,918,331		3,918,331	
Restricted for capital outlay	778,214		778,214	
Unrestricted	544,190	1,329,646	1,873,836	565,144
Total net position	\$ 7,666,661	\$ 4,989,954	\$ 12,656,615	\$ 565,144

The accompanying notes are an integral part of this financial statement

ANGELINA COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	LANDFILL	AIRPORT	TOTALS	EMPLOYEE BENEFIT
Operating Revenues:				
Charges for services	\$ 2,216,319	\$ 306,655	\$ 2,522,974	
Fuel and oil sales		1,009,578	1,009,578	
Employee premiums				\$ 263,972
Employer premiums				3,230,076
Stop-loss reimbursements				89,710
Other revenues	11,066		11,066	
Total operating revenues	<u>2,227,385</u>	<u>1,316,233</u>	<u>3,543,618</u>	<u>3,583,758</u>
Operating Expenses:				
Salaries	769,710	398,725	1,168,435	
Fuel		741,865	741,865	
Repairs and maintenance	302,387	23,672	326,059	
Depreciation	506,717	807,532	1,314,249	
Professional fees	69,262		69,262	
Insurance claims and related expenses				2,871,458
Closure and postclosure	287,294		287,294	
Other expenses	254,970	203,312	458,282	
Total operating expenses	<u>2,190,340</u>	<u>2,175,106</u>	<u>4,365,446</u>	<u>2,871,458</u>
Operating income (loss)	<u>37,045</u>	<u>(858,873)</u>	<u>(821,828)</u>	<u>712,300</u>
Nonoperating Revenues:				
Interest earned	40,177	9,425	49,602	3,894
Trust income (expense)	(32,302)		(32,302)	
Total nonoperating revenues	<u>7,875</u>	<u>9,425</u>	<u>17,300</u>	<u>3,894</u>
Change in net position	44,920	(849,448)	(804,528)	716,194
Net position, beginning of year	<u>7,621,741</u>	<u>5,839,402</u>	<u>13,461,143</u>	<u>(151,050)</u>
Net position, end of year	<u>\$ 7,666,661</u>	<u>\$ 4,989,954</u>	<u>\$ 12,656,615</u>	<u>\$ 565,144</u>

The accompanying notes are an integral part of this financial statement.

**ANGELINA COUNTY, TEXAS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	LANDFILL	AIRPORT	TOTALS	EMPLOYEE BENEFIT
Cash flows from operating activities:				
Receipts from customers	\$2,271,146	\$1,341,864	\$ 3,613,010	\$ 1,392,893
Receipts from interfund services provided				3,230,076
Payments for interfund services used	(157,586)	(78,936)	(236,522)	
Payments to suppliers	(618,870)	(982,061)	(1,600,931)	(3,854,025)
Payments to employees	(619,258)	(320,167)	(939,425)	
Net cash provided by (used in) operating activities	875,432	(39,300)	836,132	768,944
Cash flows from investing activities:				
Purchase of investments	(932,538)		(932,538)	
Proceeds from sales and maturities of investments	980,000		980,000	
Interest received	120,078	9,425	129,503	3,894
Net cash provided by investing activities	167,540	9,425	176,965	3,894
Net increase (decrease) in cash	1,042,972	(29,875)	1,013,097	772,838
Cash and cash equivalents, beginning of year	5,790,275	1,292,084	7,082,359	3,331
Cash and cash equivalents, end of year	\$6,833,247	\$1,262,209	\$ 8,095,456	\$ 776,169

The accompanying notes are an integral part of this financial statement.

ANGELINA COUNTY, TEXAS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	LANDFILL	AIRPORT	TOTALS	EMPLOYEE BENEFIT
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 37,045	\$ (858,873)	\$ (821,828)	\$ 712,300
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:				
Depreciation	506,717	807,532	1,314,249	
Decrease in accounts receivable - net	43,744	25,631	69,375	1,039,211
Decrease in other receivables	17		17	
Decrease in inventory		33,284	33,284	
Increase (decrease) in accounts/claims payable	9,310	(48,284)	(38,974)	(982,567)
(Decrease) in accrued compensated absences	(7,134)	(378)	(7,512)	
Increase in accrued liabilities	15,317	1,788	17,105	
Increase in estimated liability for landfill closure and postclosure	270,416		270,416	
Total adjustments	838,387	819,573	1,657,960	56,644
Net cash provided by (used in) operating activities	\$ 875,432	\$ (39,300)	\$ 836,132	\$ 768,944

The accompanying notes are an integral part of this financial statement.

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ANGELINA COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
DECEMBER 31, 2013

ASSETS	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ 8,799,090
Investments	<u>2,186,379</u>
Total assets	<u>\$ 10,985,469</u>
LIABILITIES	
Due to others	<u>\$ 10,985,469</u>
Total liabilities	<u>\$ 10,985,469</u>

The accompanying notes are an integral part of this financial statement.

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ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

(1) **Summary of Significant Accounting Policies**

(A) **Reporting Entity**

Angelina County, Texas (County) is an independent governmental entity created under the laws of the State of Texas. The County is governed by a Commissioners' Court.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, based on standards established by GASB, these financial statements should present the County (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable. The County does not have any blended or discretely presented component units.

The County Judge and Commissioners' Court are responsible for appointing the members of the board of Angelina County Child Welfare Board for Protective Services, but the financial statements of Angelina County Child Welfare Board for Protective Services were not considered material to the County; therefore, they are not included in the reporting entity.

Basic operations of the County are financed by ad valorem taxes, sales taxes, other taxes, fines and fees, charges for services, interest income and other revenues. The County also receives federal, state and local grant funds to finance specific programs.

(B) **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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by 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 revenues*.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(B) Government-Wide and Fund Financial Statements - Continued

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

(C) 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 funds and fiduciary funds 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 imposed by the provider have been met.

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 County considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims of judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Property taxes, franchise taxes, licenses and interest earnings are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's operating fund. It accounts for all financial resources of the general government.

The *Road and Bridge Funds* account for the resources and expenditures related to the roads and bridges in the County.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The County reports the following major proprietary funds:

The *Landfill Fund* accounts for the activities of the County's landfill operations. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, production, maintenance, financing and related debt service, and billings and collections.

The *Airport Fund* accounts for the activities of the County's airport. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, billing and collections.

Additionally, the County reports the following fund type:

The *internal service fund* accounts for the activities of the employee health benefit plan. The activities include the accounting for the County's employee hospitalization and dental insurance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal balances between the County's restricted and unrestricted assets. Elimination of these balances would distort the assets for the various functions concerned.

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 revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill Fund and the Airport Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary fund financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. **Cash, Cash Equivalents and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity of three months or less when purchased. Additionally, each fund's equity in investment pools is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash equivalents are stated at fair value.

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 the County's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The bank balance at December 31, 2013 was entirely covered by FDIC insurance or pledged collateral held by the County's agent banks in the County's name.

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost (which approximates fair value) and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair market value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

TexPool and TexStar are government investment pools. They were established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility for TexPool while TexStar is managed by its Board. They operate in a manner consistent with the Public Funds Investment Act and portions of the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, they seek to maintain a stable net asset value of \$1.00 per share. The fair value of the position in TexPool and TexStar is the same as the fair value of their shares.

2. **Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - Continued

2. **Receivables and Payables - Continued**

All trade and property tax receivables are shown net of an allowance for uncollectible. The trade accounts receivable allowance for uncollectible is based on an aging of past due accounts and historical collections. The property tax receivable allowance is equal to 3 percent of the assessed property taxes at October 1, 2013.

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

3. **Inventory and Prepaid Items**

Inventory is valued at cost using the first-in/first out (FIFO) method. Inventory of governmental funds is reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. **Restricted Assets**

Restricted assets include cash equivalents and investments of the proprietary funds that are restricted as to their use.

5. **Capital Assets**

Capital assets, which include property, plant, equipment, improvements and infrastructure assets (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - Continued

5. **Capital Assets - Continued**

Major capital outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the cost of the capitalized value of the assets constructed.

Property, plant, equipment, improvements, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	5 - 50
Equipment	5 - 20
Vehicles	3 - 6
Infrastructure	10 - 50

6. **Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since no amounts are paid upon separation from service with the County. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. The general fund has been used to liquidate compensated absences.

7. **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred interest and fiscal changes in the current year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - Continued

8. **Net Position and Fund Balances**

Government-wide and proprietary net position are classified in three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action and approval by Commissioners' Court. Committed amounts cannot be used for any other purpose unless the Commissioners' Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for the other purposes with appropriate due process by the Commissioners' Court. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Under the County's policy, intent may be stipulated only by the Commissioners' Court or the County Auditor. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the County itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose.

When an expenditure is incurred for purposes 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 funds, then assigned funds, and finally unassigned funds.

The County adopted a minimum fund balance policy to maintain an overall fund balance level for the total of all committed, assigned, and unassigned categories in an amount of not less than three months of General Fund operating expenditures that is measured based on the most recently completed fiscal year.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - Continued

8. Net Position and Fund Balances - Continued

The County established stabilization funds in the General Fund to be used for emergencies, contingencies, revenue shortfalls or budgetary imbalances. Additions and releases from these funds must be approved by Commissioner's Court. The policy states that the amount of the stabilization funds of the General Fund fund balance is to be maintained at not less than three months of the Fund's operating expenses of the most recently completed fiscal year.

9. Statement of Cash Flows

For the purpose of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

11. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains commercial insurance coverage covering each of those risks of loss, except for workers' compensation insurance. Settled claims did not exceed the coverage during each of the past three fiscal years. The County purchases workers' compensation insurance coverage from the Deep East Texas Self Insurance Fund (Fund), a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of \$850,000. The County pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the County is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. However, members would be contingently liable for their share of liabilities in the event that the assets of the Fund were exhausted. The Fund was solvent as of the most recent audited financial statements.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances - Continued

11. Risk Management - Continued

The County has established an Employee Benefit Fund (an internal service) to account for and finance its employee hospitalization and dental insurance. The County has entered into an agreement with an outside firm to administer its employee health benefit plan (Plan) for twelve (12) month periods. Among other things, under the agreement, the administrator would (1) determine the entitlement to plan benefits as to any request for plan benefits in accordance with the Plan and the administrator benefit cost control standards and procedures and practices applicable to benefits under the Plan, and (2) issue a check in payment of such benefits which would be paid from the County's bank account. Under the terms of the Plan, eligible claims are paid from premiums paid by covered employees and the various funds of the County in which they are employed. The County has reinsurance agreements for the plan's fiscal years. Such agreements generally provide for a stop loss limit per individual and an aggregate annual stop loss limit on medical and prescription claims made and paid within the twelve (12) month period.

12. Deferred Outflows/Inflows of Resources

GASB Statement No. 65 requires certain items to be reported as deferred outflows/inflows of resources in the government-wide and governmental fund financial statements. The government-wide financial statements include deferred outflows related to the 2012 bond refunding and deferred inflows for 2014 property taxes. For governmental funds, assets recorded before the revenues are available and property taxes received or reported as receivables before the period for which they are levied are reported as deferred inflows.

(2) Stewardship, Compliance and Accountability

(A) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The County Judge, assisted by the County Auditor, annually submits a proposed operating budget for the fiscal year ending December 31. After a public hearing on the proposed budget, the official budget is approved by the Commissioners' Court in September preceding the applicable fiscal year. The budget and any amendments approved by the Commissioners' Court are filed in the office of the County Clerk.

The appropriated budget is prepared by fund, function and department. The County's department heads may request transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Commissioners' Court. The legal level of budgetary control (i.e., level at which expenditures may not exceed appropriations) is the department level.

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(2) Stewardship, Compliance and Accountability - Continued

(B) Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38 "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following are funds that have deficit fund balances or fund net position at year end:

<u>Fund Name</u>	<u>Deficit Amount</u>
Nonmajor Special Revenue Funds:	
Cassels Boykins Park Fund	\$ 26,161
Juvenile Services Fund	605,849

3. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended December 31, 2013, expenditures exceeded appropriations in the following departments of the General Fund:

<u>General Fund Department</u>	<u>Amount</u>
Administrative:	
County clerk	\$ 1,508
County judge	1,555
Collections	3,958
Judicial and law enforcement:	
County attorney	10,116
District judges	13,029
Health, welfare, and sanitation	663,828

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(3) Detailed Notes on All Funds

(A) Cash, Cash Equivalents and Investments

At December 31, 2013, the County's carrying amount for cash deposits, including nonnegotiable certificates of deposit of \$12,000,000, was \$20,496,066. The bank balance at December 31, 2013 of \$19,683,525 was entirely covered by FDIC insurance or pledged collateral held by the County's agent banks in the County's name. The County also has trust cash deposits, including nonnegotiable certificates of deposit, of \$2,186,379 that are held in the names of individuals.

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County substantially complied with the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, and (10) commercial paper.

During the year ended December 31, 2013, the County invested in money market funds and fixed income government securities. Fair values at December 31, 2013 were obtained from TexSTAR, TexPool, DWS Investments and First Bank and Trust East Texas.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

3) Detailed Notes on All Funds - Continued

(A) Cash, Cash Equivalents and Investments - Continued

The County's investments at December 31, 2013 were held by the County and First Bank and Trust East Texas and consisted of the following:

INVESTMENTS, INVESTMENT TYPE	AMOUNT	FAIR VALUE	RANGE OF MATURITIES	CREDIT RATING
Certificates of Deposit - nonnegotiable:				
Governmental funds	\$ 12,000,000	\$ 12,000,000		
Fiduciary funds	2,186,379	2,186,379		
Certificates of Deposit - negotiable	1,218,052	1,218,052	12/13 - 03/17	
U.S. Government Agencies:				
Federal Home Loan Bank	429,120	429,120	12/17 - 01/19	Aaa
Federal National Mortgage Association	727,838	727,838	03/16 - 11/19	AA+
Federal Farm Credit Banks	260,808	260,808	04/14 - 07/20	AA+
Mutual Funds:				
Federated GNMA TR	1,134,528	1,134,528		★★★
Cash Equivalents-Investment Pools:				
Federated government obligations #5 (SEC registered)	147,985	147,985		AAAm
TexSTAR	3,126,000	3,126,000		AAAm
DWS Govt Cash Institutional Shares (SEC registered)	3,264,546	3,264,546		AAAm
TexPool	7,001,296	7,001,296		AAAm
Total investments	<u>\$ 31,496,552</u>	<u>\$ 31,496,552</u>		

GASB Statement No. 40 requires a determination as to whether the County was exposed to specific deposit and investment risks at year end and if so, the reporting of certain related disclosures. The deposit and investment risks applicable to the County's investments are as follows:

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The County's investment policy does not limit its investments based on credit ratings. At December 31, 2013, the County invested in U.S. Government Agencies, mutual funds, and investment pools. The credit ratings for the County's investments are noted in the table above. Except for the credit rating for the Federated GNMA TR, all ratings are from Standard and Poor's. The rating for the Federated GNMA TR is from Morningstar.

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

3) Detailed Notes on All Funds - Continued

(A) Cash, Cash Equivalents and Investments - Continued

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy does not place a limit on the amount that can be invested in one issuer. More than 5% of the County's investments are in TexSTAR, DWS Government Cash Institutional Shares, TexPool and mutual funds - Federated GNMA TR, and negotiable certificates of deposit. Those investments are 18%, 19%, 40%, 7%, and 7%, respectively, of total investments excluding nonnegotiable certificates of deposit.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's policy limits investment maturities to a maximum of ten years, but maturities are further limited based on the funds involved. Maturities for U.S. Government Agencies and negotiable certificates of deposit are noted in the table above. The weighted average maturities for the County's investments in Federated government obligations #5, TexSTAR, DWS Govt Cash Institutional Shares and TexPool were 51, 47, 54 and 51 days, respectively. The weighted average maturity for Federated GNMA TR at December 31, 2013 was 8.4 years.

(B) Restricted Assets

Restricted assets consist of cash and cash equivalents and investments which are limited to the payment of landfill closure and postclosure costs as follows:

	<u>CASH AND CASH EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>TOTAL</u>
Enterprise Funds:			
Landfill Trust Account	\$ 147,985	\$ 3,770,346	\$ 3,918,331
Total restricted assets	<u>\$ 147,985</u>	<u>\$ 3,770,346</u>	<u>\$ 3,918,331</u>

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(C) Interfund Balances and Activities

1. Due From and To Other Funds

Due from and to other funds at December 31, 2013, consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
General Funds	General Funds	\$ 136,816	Payroll advances
General Funds	Nonmajor Governmental Funds	1,958,106	Short-term advances
General Funds	Nonmajor Governmental Funds	3,000	Grant advances
Road and Bridge Funds	General Funds	1,981,064	Ad valorem taxes
Nonmajor Governmental Funds	General Funds	<u>1,577,650</u>	Ad valorem taxes
	Total	<u><u>\$ 5,656,636</u></u>	

2. Transfers From and To Other Funds

Transfers from and to other funds at December 31, 2013, consisted of the following:

TRANSFER FROM	TRANSFER TO	AMOUNT	PURPOSE
General Funds	Nonmajor Governmental Funds	\$ 971,477	Local contributions
Nonmajor Governmental Funds	Nonmajor Governmental Funds	73,096	Local contributions
Nonmajor Governmental Funds	General Funds	<u>7,000</u>	Reimbursement
	Total	<u><u>\$ 1,051,573</u></u>	

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets

Capital asset activity for the year ended December 31, 2013 is as follows:

	BALANCE JANUARY 1, 2013	ADDITIONS	RETIREMENTS	BALANCE DECEMBER 31, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 699,863			\$ 699,863
Construction progress	706,761	\$ 374,505		1,081,266
Total capital assets not being depreciated	1,406,624	374,505		1,781,129
Depreciable assets:				
Buildings and improvements	22,289,524	590,551		22,880,075
Equipment	11,561,135	530,801	\$ (185,803)	11,906,133
Infrastructure	68,552,601	73,503	(1,143,280)	67,482,824
Total depreciable assets	102,403,260	1,194,855	(1,329,083)	102,269,032
Less accumulated depreciation for:				
Buildings and improvements	(8,687,125)	(585,209)		(9,272,334)
Equipment	(7,319,696)	(1,143,098)	165,728	(8,297,066)
Infrastructure	(62,803,164)	(397,851)	1,120,101	(62,080,914)
Total accumulated depreciation	(78,809,985)	(2,126,158)	1,285,829	(79,650,314)
Total capital assets being depreciated, net	23,593,275	(931,303)	(43,254)	22,618,718
Governmental activities capital assets, net	\$ 24,999,899	\$ (556,798)	\$ (43,254)	\$ 24,399,847

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets - Continued

	BALANCE JANUARY 1, 2013	ADDITIONS	RETIREMENTS	BALANCE DECEMBER 31, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,111,449			\$ 2,111,449
Total capital assets not being depreciated	2,111,449			2,111,449
Depreciable assets:				
Buildings and improvements	5,022,982			5,022,982
Equipment	4,769,037		\$ (10,000)	4,759,037
Infrastructure	8,939,669			8,939,669
Total depreciable assets	18,731,688		(10,000)	18,721,688
Less accumulated depreciation for:				
Buildings and improvements	(4,076,294)	\$ (225,239)		(4,301,533)
Equipment	(3,528,373)	(373,474)	10,000	(3,891,847)
Infrastructure	(5,837,987)	(715,536)		(6,553,523)
Total accumulated depreciation	(13,442,654)	(1,314,249)	10,000	(14,746,903)
Total capital assets being depreciated, net	5,289,034	(1,314,249)		3,974,785
Business-type activities capital assets, net	\$ 7,400,483	\$ (1,314,249)		\$ 6,086,234

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets - Continued

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
Administrative	\$ 881,271
Judicial and law enforcement	487,644
Extension service	5,615
Highways and streets	<u>751,628</u>
Total governmental activities	<u>\$ 2,126,158</u>
Business-type activities:	
Landfill	\$ 506,717
Airport	<u>807,532</u>
Total business-type activities	<u>\$ 1,314,249</u>

(E) Long-Term Debt

1. Bonds Payable

Bonds payable at December 31, 2013 are comprised of the following individual issue:

\$8,195,000 Series 2012 Limited Tax Refunding Bonds, issued for the benefit of Governmental funds, maturing serially through 2022 with principal payments from \$0 to \$1,375,000 and interest rate of 2.00%, payable from the levy and collection of ad valorem taxes.	<u>\$ 6,845,000</u>
Total bonds payable	<u>\$ 6,845,000</u>

The County expended \$150,400 for interest on bonds for the year ended December 31, 2013.

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(E) Long-Term Debt - Continued

1. Bonds Payable - Continued

The principal and interest requirements for bonds payable are as follows:

YEARS ENDING DECEMBER 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2014	\$ 1,375,000	\$ 123,150	\$ 1,498,150
2015	605,000	103,350	708,350
2016	685,000	90,455	775,455
2017	660,000	77,000	737,000
2018	685,000	63,550	748,550
2019 - 2022	2,835,000	114,250	2,949,250
Total	\$ 6,845,000	\$ 571,755	\$ 7,416,755

2. Capital Leases

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of December 31, 2013, as follows:

For The Year Ending December 31,	GOVERNMENTAL ACTIVITIES
2014	\$ 34,165
Total minimum lease payments	34,165
Less amount representing interest	(376)
Present value of minimum lease payments	\$ 33,789

The interest rate on capital leases for governmental activities was 2.70%. Assets acquired by capital leases consist of equipment and have cost and accumulated depreciation of \$167,000 and \$50,448, respectively. The capital leases are payable from future revenues in the Road and Bridge funds.

Interest expense on capital leases for governmental activities was \$2,146.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(E) Long-Term Debt - Continued

3. Changes in Long-Term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<u>Governmental activities</u>					
Refunding bonds	\$ 8,195,000		\$ 1,350,000	\$ 6,845,000	\$ 1,375,000
Refunding bonds - premium	210,391		23,057	187,334	23,057
Capital leases	90,210		56,421	33,789	33,789
Compensated absences	174,894		36,046	138,848	
Total governmental activities long-term liabilities	<u>\$ 8,670,495</u>		<u>\$ 1,465,524</u>	<u>\$ 7,204,971</u>	<u>\$ 1,431,846</u>

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<u>Business-type activities</u>					
Estimated landfill closure and postclosure liability	\$ 5,185,633	\$ 270,416		\$ 5,456,049	\$ 2,098,311
Total business-type activities long-term liabilities	<u>\$ 5,185,633</u>	<u>\$ 270,416</u>		<u>\$ 5,456,049</u>	<u>\$ 2,098,311</u>

4. Debt Issuance Costs

In accordance with Statement No. 65 of the Governmental Accounting Standards Board, debt issuance costs, except for any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

(F) Unearned Revenue and Unavailable Revenue/ Deferred Inflows of Resources

In the following table, unearned revenue consists of advances from grantors. Unavailable revenue consists of 2014 property taxes, delinquent property taxes, and fines and fees. Unavailable revenue is reported as deferred inflows of resources in the governmental funds balance sheet.

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(F) Unearned Revenue and Unavailable Revenue/ Deferred Inflows of Resources - Continued

	GOVERNMENTAL FUNDS			
	GENERAL	ROAD AND BRIDGE	TOTAL NONMAJOR	TOTAL
2014 property taxes	\$ 12,785,235	\$ 1,981,064	\$ 1,577,650	\$ 16,343,949
Delinquent property taxes	200,000			200,000
Fines and fees	295,754			295,754
Advances from grantors	149,883	48,945	251,343	450,171
Total	<u>\$ 13,430,872</u>	<u>\$ 2,030,009</u>	<u>\$ 1,828,993</u>	<u>\$ 17,289,874</u>

(G) Net Position and Fund Balances

1. Restricted Net Position

Restricted net position at December 31, 2013 consist of amounts that are externally restricted by (1) creditors and grantors or (2) enabling legislation. Of the \$5,000,169 of restricted net position reported in the government-wide financial statements, \$778,214 is restricted by enabling legislation. Of the \$4,696,545 of restricted net position reported in the proprietary fund financial statements, \$778,214 is restricted by enabling legislation.

2. Fund Balances

As of December 31, 2013, fund balances of governmental funds are composed of the following:

	GENERAL FUNDS	ROAD AND BRIDGE FUNDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Nonspendable:				
Prepaid items	\$ 36,277			\$ 36,277
Restricted:				
Debt service			\$ 303,624	303,624
Assigned:				
2014 Budget deficit	327,015	\$ 325,420		652,435
Road and Bridge		370,222		370,222
Other purposes			747,733	747,733
Unassigned	7,402,839			7,402,839
Total	<u>\$ 7,766,131</u>	<u>\$ 695,642</u>	<u>\$ 1,051,357</u>	<u>\$ 9,513,130</u>

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(3) Detailed Notes on All Funds - Continued

(G) Net Position and Fund Balances - Continued

At December 31, 2013, stabilization funds of \$4,968,489 are included in the General Fund Unassigned fund balance.

At December 31, 2013, the County has accumulated the following amounts in support of the minimum fund balance policy:

	POLICY AMOUNT	UNASSIGNED TOTAL
General Funds - 3 months (25%) of General Fund operating expenses	\$ 4,968,489	\$ 7,402,839

(4) Other Information

(A) Texas County and District Retirement System

1. Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS 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 TCERS (TCERS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age or when the sum of their age plus years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCERS 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 TCERS Act.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(4) Other Information - Continued

(A) Texas County and District Retirement System - Continued

2. Funding Policy

The employer has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate for the employer is actuarially determined annually. It was 9.54% for calendar year 2013. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contributions rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

3. Annual Pension Cost

For the employer's accounting year ending December 31, 2013, the annual pension cost for the TCDRS plan for its employees was \$1,255,301 and the actual contributions were \$1,255,301.

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 valuation as of December 31, 2012, the basis for determining the contribution rate for calendar year 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

4. Actuarial Valuation Information

Actuarial valuation date	December 31, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	SAF: 10 - year smoothed value ESF: Fund value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.40%
Inflation	3.50%
Cost-of-living adjustment	0.00%

The Schedule of Funding Progress of Pension Plan presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ANGELINA COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2013

(4) Other Information - Continued

(A) Texas County and District Retirement System - Continued

5. Three-Year Trend Information

FISCAL YEAR FUNDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
12/31/13	\$ 1,255,301	100%	
12/31/12	1,260,623	100%	
12/31/11	1,217,381	100%	

6. Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 84.88 percent funded. The actuarial accrued liability for benefits was \$37,772,635 and the actuarial value of assets was \$32,062,168, which results in an unfunded actuarial accrued liability (UAAL) of \$5,710,467. The covered payroll was \$13,554,998 and the ratio of the UAAL to covered payroll was 42.13 percent.

(B) Federal and State Awards

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

The County has received several federal and state grant awards. These awards are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. The County's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of the County.

(C) Commitments

The County had remaining commitments on uncompleted construction contracts as follows:

PROJECTS	CONTRACTOR	AMOUNT
Old Diboll Highway Reconstruction	Drewery Construction Company, Inc.	\$ 1,295,642
Cassels Boykins Fishing Pier	Timberline Constructors, Inc.	61,732

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(4) Other Information - Continued

(D) Closure and Postclosure Costs

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to the current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based upon the amount of the landfill used during the current year. The estimated liability for the landfill closure and postclosure costs had a balance of \$5,456,049 as of December 31, 2013, which was based on 42% usage (filled) of the landfill. It is estimated that an additional \$7,422,638 will be recognized as closure and postclosure expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2042). The estimated total current cost of the landfill closure and postclosure of \$12,878,687 is based upon the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2013. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The County was not required by state and federal laws and regulations to make annual contributions to finance closure and postclosure due to meeting the local government financial test and government guarantee. The County is in compliance with these requirements; however, the County has established a landfill trust account to finance closure and postclosure. At December 31, 2013, the balance in the landfill trust account was \$3,918,331. The future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers or both.

(E) Subsequent Event

In July 2014, the Angelina County Commissioners' Court approved the issuance of the 2014 Tax Notes for \$1,450,000.

ANGELINA COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2013

(4) Other Information - Continued

(F) Employee Benefit Fund

All funds participate in the County's health insurance program and make payments to the Employee Benefit Fund based on estimates of the amounts needed to pay prior and current claim-year claims and to establish a reserve for losses. That reserve was \$565,144 at December 31, 2013. The claims liability of \$253,517 reported in the Fund at December 31, 2013 is based on the requirements of Governmental Accounting Standards Board, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount were as follows:

	BEGINNING OF FISCAL YEAR LIABILITY	CURRENT-YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR-END
2013	\$ 1,176,297	\$ 2,871,458	\$ (3,794,238)	\$ 253,517
2012	215,207	6,716,227	(5,755,137)	1,176,297
2011	460,603	4,628,402	(4,873,798)	215,207

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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ANGELINA COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Ad valorem taxes	\$ 12,512,027	\$ 12,512,027	\$ 13,006,152	\$ 494,125
Sales taxes	5,100,000	5,100,000	5,703,838	603,838
Other taxes	95,000	95,000	66,227	(28,773)
Intergovernmental	207,500	207,500	828,963	621,463
Charges for services	300,000	300,000	123,464	(176,536)
Fines and fees	2,481,500	2,481,500	2,530,809	49,309
Interest income	83,000	83,000	68,597	(14,403)
Contributions and donations			1,439	1,439
Other revenues	235,000	235,000	334,675	99,675
Total revenues	<u>21,014,027</u>	<u>21,014,027</u>	<u>22,664,164</u>	<u>1,650,137</u>
Expenditures:				
Administrative:				
County commissioners	373,962	373,962	345,467	28,495
County clerk	518,941	525,941	527,449	(1,508)
County service office	12,039	12,039		12,039
County judge	175,930	175,930	177,485	(1,555)
County auditor	520,672	520,672	481,622	39,050
County treasurer	186,097	186,097	159,752	26,345
County tax assessor-collector	1,027,513	1,027,513	956,562	70,951
Emergency management	85,999	85,999	89,957	(3,958)
Collections	106,954	106,954	95,227	11,727
Information technology	712,985	897,985	804,715	93,270
Maintenance	670,659	670,659	654,244	16,415
General	2,079,974	2,130,874	2,090,004	40,870
Total administrative	<u>6,471,725</u>	<u>6,714,625</u>	<u>6,382,484</u>	<u>332,141</u>
Judicial and law enforcement:				
County court-at-law	972,453	972,453	954,529	17,924
County attorney	834,872	834,872	844,988	(10,116)
Constables	302,969	302,969	296,309	6,660
County jail	3,820,630	3,808,630	3,448,948	359,682
County sheriff	3,622,023	3,634,023	3,343,367	290,656
District judges	797,056	797,056	810,085	(13,029)
District clerk	559,400	559,400	538,386	21,014
District attorney	800,145	800,145	769,515	30,630
Juveniles judges	52,414	52,414	44,845	7,569
Justices of the peace	728,941	728,941	680,614	48,327
Total judicial and law enforcement	<u>12,490,903</u>	<u>12,490,903</u>	<u>11,731,586</u>	<u>759,317</u>

See accompanying independent auditor's report on required supplementary information.

ANGELINA COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - CONTINUED
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Expenditures - Continued:				
Health, welfare and sanitation	973,502	973,502	1,637,330	(663,828)
Extension service	131,907	131,097	122,556	8,541
Total expenditures	<u>20,067,227</u>	<u>20,310,127</u>	<u>19,873,956</u>	<u>436,171</u>
Excess (deficiency) of revenues over expenditures	<u>946,800</u>	<u>703,900</u>	<u>2,790,208</u>	<u>2,086,308</u>
Other Financing Sources (Uses):				
Operating transfers in		7,000	7,000	
Operating transfers out	(946,800)	(946,800)	(971,477)	(24,677)
Total other financing sources (uses)	<u>(946,800)</u>	<u>(939,800)</u>	<u>(964,477)</u>	<u>(24,677)</u>
Net change in fund balances		(235,900)	1,825,731	2,061,631
Fund balances, beginning of year	<u>5,940,400</u>	<u>5,940,400</u>	<u>5,940,400</u>	
Fund balances, end of year	<u>\$ 5,940,400</u>	<u>\$ 5,704,500</u>	<u>\$ 7,766,131</u>	<u>\$ 2,061,631</u>

See accompanying independent auditor's report on required supplementary information.

ANGELINA COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
ROAD AND BRIDGE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Ad valorem taxes	\$ 1,981,065	\$ 1,981,065	\$ 1,981,065	
Sales taxes	108,176	108,176	72,835	\$ (35,341)
Intergovernmental	228,875	228,875	129,749	(99,126)
Fines and fees	1,398,520	1,398,520	1,445,537	47,017
Interest income	765	765	13,485	12,720
Other revenues			3,503	3,503
Total revenues	3,717,401	3,717,401	3,646,174	(71,227)
Expenditures:				
Current:				
Highways and streets	3,968,252	4,124,252	3,482,272	641,980
Debt service:				
Principal			56,421	(56,421)
Interest and fiscal charges			2,146	(2,146)
Total expenditures	3,968,252	4,124,252	3,540,839	583,413
Net change in fund balances	(250,851)	(406,851)	105,335	512,186
Fund balances, beginning of year	590,307	590,307	590,307	
Fund balances, end of year	\$ 339,456	\$ 183,456	\$ 695,642	\$ 512,186

See accompanying independent auditor's report on required supplementary information.

ANGELINA COUNTY, TEXAS
 SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN
 DECEMBER 31, 2013

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSET	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	ANNUAL COVERED PAYROLL	UAAL AS PERCENTAGE OF COVERED
12/31/12	\$32,062,168	\$37,772,635	\$ 5,710,467	84.88%	\$ 13,554,998	42.13%
12/31/11	32,037,076	37,276,150	5,239,074	85.95%	13,560,838	38.63%
12/31/10	30,266,322	34,938,123	4,671,801	86.63%	13,137,617	35.56%

See accompanying independent auditor's report on required supplementary information.

SUPPLEMENTARY INFORMATION SECTION

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COMBINING FUND STATEMENTS

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**ANGELINA COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

ASSETS	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
Cash and cash equivalents	\$ 1,711,311	\$ 303,624		\$ 2,014,935
Receivables:				
Intergovernmental	1,431,286		\$ 493,000	1,924,286
Other	47,471		172,014	219,485
Due from other funds	82,900	1,494,750		1,577,650
Total assets	\$ 3,272,968	\$ 1,798,374	\$ 665,014	\$ 5,736,356
LIABILITIES				
Accounts payable	\$ 590,829		\$ 95,888	\$ 686,717
Accrued compensated absences	29,964			29,964
Accrued liabilities	178,219			178,219
Due to other funds	1,391,980		569,126	1,961,106
Unearned revenue	251,343			251,343
Total liabilities	2,442,335		665,014	3,107,349
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	82,900	\$ 1,494,750		1,577,650
Total deferred inflows of resources	82,900	1,494,750		1,577,650
FUND BALANCES				
Restricted:				
For debt service		303,624		303,624
Assigned:				
For other purposes	747,733			747,733
Total fund balances	747,733	303,624		1,051,357
Total liabilities, deferred inflows of resources and fund balances	\$ 3,272,968	\$ 1,798,374	\$ 665,014	\$ 5,736,356

See accompanying independent auditor's report on supplementary information.

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ANGELINA COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
Revenues:				
Ad valorem taxes	\$ 86,700	\$ 1,500,500		\$ 1,587,200
Intergovernmental	4,048,724		\$ 604,277	4,653,001
Fines and fees	1,267,039			1,267,039
Interest income	11,622	3,168	45	14,835
Other revenues	176,165		338	176,503
Total revenues	5,590,250	1,503,668	604,660	7,698,578
Expenditures:				
Current:				
Administrative	1,089,991			1,089,991
Judicial and law enforcement	4,949,163			4,949,163
Health, welfare and sanitation	31,686			31,686
Highways and streets	431,257			431,257
Debt service:				
Principal		1,350,000		1,350,000
Interest and fiscal charges		150,900		150,900
Capital outlay			605,196	605,196
Total expenditures	6,502,097	1,500,900	605,196	8,608,193
Excess (deficiency) of revenues over expenditures	(911,847)	2,768	(536)	(909,615)
Other Financing Sources (Uses):				
Operating transfers in	1,043,137	1,436		1,044,573
Operating transfers out	(78,660)		(1,436)	(80,096)
Total other financing sources (uses)	964,477	1,436	(1,436)	964,477
Net change in fund balances	52,630	4,204	(1,972)	54,862
Fund balances, beginning of year	695,103	299,420	1,972	996,495
Fund balances, end of year	\$ 747,733	\$ 303,624		\$ 1,051,357

See accompanying independent auditor's report on supplementary information.

ANGELINA COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2013

	AGENCY FUNDS	
	DISTRICT CLERK	COUNTY CLERK
ASSETS		
Cash and cash equivalents	\$ 226,567	\$ 415,734
Investments	694,255	1,492,124
Total assets	\$ 920,822	\$ 1,907,858
LIABILITIES		
Due to others	\$ 920,822	\$ 1,907,858
Total liabilities	\$ 920,822	\$ 1,907,858

AGENCY FUNDS

COUNTY SHERIFF	JUSTICES OF THE PEACE	TAX ASSESSOR COLLECTOR	OTHER	TOTAL
\$ 127,236	\$ 40,872	\$ 7,964,087	\$ 24,594	\$ 8,799,090
				2,186,379
<u>\$ 127,236</u>	<u>\$ 40,872</u>	<u>\$ 7,964,087</u>	<u>\$ 24,594</u>	<u>\$ 10,985,469</u>
<u>\$ 127,236</u>	<u>\$ 40,872</u>	<u>\$ 7,964,087</u>	<u>\$ 24,594</u>	<u>\$ 10,985,469</u>
<u>\$ 127,236</u>	<u>\$ 40,872</u>	<u>\$ 7,964,087</u>	<u>\$ 24,594</u>	<u>\$ 10,985,469</u>

See accompanying independent auditor's report on supplementary information.

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SINGLE AUDIT SECTION

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**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***

Honorable County Judge and
Members of the Commissioners' Court
Angelina County
Lufkin, 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 Angelina County, Texas (County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Angelina County, Texas' basic financial statements and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the auditing 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 Angelina 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 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.

**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* - CONTINUED**

Internal Control Over Financial Reporting - Continued

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
September 12, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable County Judge and
Members of the Commissioners' Court
Angelina County
Lufkin, Texas

Report on Compliance for Each Major Federal Program

We have audited Angelina County, Texas' (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program - Continued

Auditor's Responsibility - Continued

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

Opinion on Each Major Federal Program

In our opinion, Angelina County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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 program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Internal Control Over Compliance - Continued

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

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
September 12, 2014

**ANGELINA COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement Grants *			
Passed through Texas General Land Office Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii *	14.218	10-5011-000-4985	\$ 714,236
Passed through Texas General Land Office Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants Direct	14.228	12-619-000-7024	431,257
	14.251	B-10-SP-TX-0013	<u>432,263</u>
Total U.S. Department of Housing and Urban Development			<u>1,577,756</u>
U.S. DEPARTMENT OF THE INTERIOR			
Payments in Lieu of Taxes Direct	15.226	N/A	<u>129,749</u>
Total U.S. Department of the Interior			<u>129,749</u>
U.S. DEPARTMENT OF JUSTICE			
State Criminal Alien Assistance Program Direct	16.606	2013-AP-BX-0814	10,528
Edward Byrne Memorial Justice Assistance Grant Program*			
Passed through Office of the Governor Criminal Justice Division	16.738	DJ-11-A10-18679-07	<u>99,376</u>
Total U.S. Department of Justice			<u>109,904</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Help America Vote Act Requirements Payments Passed through Texas Secretary of State	90.401	78478	<u>19,500</u>
Total U.S. Election Assistance Commission			<u>19,500</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

ANGELINA COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Foster Care - Title IV - E			
Passed through the Texas Juvenile Justice Department	93.658	E-2010-003	9,024
Passed through the Texas Juvenile Justice Department	93.658	E-2011-003	104,280
Passed through the Texas Juvenile Justice Department	93.658	E-2012-003	<u>68,802</u>
Total for CFDA Number 93.658			<u>182,106</u>
Total U.S. Department of Health and Human Services			<u>182,106</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Management Performance Grant			
Passed through Texas Department of Public Safety - Division of Emergency Management	97.042	13TX-EMPG-0422	39,985
Passed through Texas Department of Public Safety - Division of Emergency Management	97.042	14TX-EMPG-0422	<u>939</u>
Total for CFDA Number 97.042			40,924
Homeland Security Grant Program			
Passed through Texas Department of Public Safety - Division of Homeland Security	97.067	EMW-2013-SS-00045	<u>38,341</u>
Total U.S. Department of Homeland Security			<u>79,265</u>
Total Federal Awards			<u>\$ 2,098,280</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

ANGELINA COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

(1) General

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of Angelina County, Texas (County). The County's reporting entity is defined in Note (1)(A) of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

(2) Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in the notes to the basic financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

(3) Relationship to Financial Statements

Federal award programs are reported in the County's basic financial statements in the General Fund, Road and Bridge Funds and Nonmajor Governmental Funds. Total federal awards per the accompanying Schedule of Expenditures of Federal Awards include all federal revenues.

See accompanying independent auditor's report on schedule of expenditures of federal awards.

ANGELINA COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes No
 Significant deficiencies identified? 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 section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA	Name of Federal Program or Cluster
14.228	CDBG - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii
14.251	Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants

See accompanying independent auditor's report on schedule of expenditures of federal awards.

ANGELINA COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Auditor's Results - Continued

Federal Awards - Continued

Dollar threshold used to distinguish between
 type A and type B federal programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statements Findings

None

C. Federal Award Findings and Questioned Costs

Required to be reported in accordance with section 510(a) of Circular A-133:

PROGRAM	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
None	None	\$ 0

See accompanying independent auditor's report on schedule of expenditures of federal awards.

ANGELINA COUNTY, TEXAS
SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

<u>PROGRAM</u>	<u>FINDING/NONCOMPLIANCE</u>	<u>QUESTIONED COSTS</u>
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There were no prior year audit findings relative to federal awards.

See accompanying independent auditor's report on schedule of expenditures of federal awards.