

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2014

Commissioners' Court:

County Judge	Mr. Bruce Wood
Commissioner of Precinct #1	Mr. Jimmy Vrzalik
Commissioner of Precinct #2	Mr. Ray Clark
Commissioner of Precinct #3	Mr. Kenneth Schoen
Commissioner of Precinct #4	Mr. Tom Manning

Justices of the Peace:

Precinct #1	Ms. Mary Bardin
Precinct #2	Ms. Patricia B. Ashcroft
Precinct #3	Mr. Mike Smith
Precinct #4	Mr. Johnny Adams

Constables:

Precinct #1	Mr. Shawn Mayfield
Precinct #2	Mr. Jason Johnson
Precinct #3	Mr. Keith Stephens
Precinct #4	Mr. Bryant Morris

86th Judicial District of the State of Texas:

District Judge	Mr. Howard Tygrett
County Auditor	Ms. Karen MacLeod

KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2014

422nd Judicial District of the State of Texas:

District Judge	Mr. B. Michael Chitty
Criminal District Attorney	Ms. Erleigh Norville-Wiley
District Clerk	Ms. Rhonda Hughey
Chief Adult Probation Officer	Mr. David Daniels
Chief Juvenile Probation Officer	Ms. Laura Peace

Officials of Kaufman County:

County Court-at-law Judge	Mr. Dennis Jones
County Court-at-law Judge #2	Mr. David Lewis
County Clerk	Ms. Laura Hughes
County Sheriff	Mr. David Byrnes
County Tax Assessor-Collector	Ms. Tonya Ratcliff
County Treasurer	Mr. Johnny Countryman
County Veterans Service Officer	Mr. Clayton Kelley
County Health Officer	Dr. William J. Fortner
Indigent Health Care Officer	Ms. Desiree Pool
Public Works Coordinator	Mr. Randy Richards
Emergency Management Coordinator	Mr. Steve Howie
Fire Marshall	Mr. Randy Richards
Purchasing Agent	Mr. Jack Sebastian

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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the County adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, the Statement of Revenues and Expenditures – Budget and Actual – General Fund on pages 45, the Statement of Revenues and Expenditures – Budget and Actual – General Road and Bridge Fund on pages 46, and the schedules of funding progress on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 19, 2015

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of Kaufman County (the "County") for the fiscal year ended September 30, 2014. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please consider the information presented here, in conjunction with the financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the year by \$12,890,891 (net position). The balance of unrestricted net position at year-end was \$(4,246,896)
- Total net position decreased by \$2,811,822 due primarily to the \$6,960,055 increase in total expenses.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$32,349,747, an increase of \$24,873,367 from the previous year. The fund balance in the General Fund of \$2,264,227 is available for spending at the County's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. These 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 information on all of the County's assets and liabilities with the difference between the two reported as *net position*. Over time, increases and decreases 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, public safety and highways and streets.

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 purposes of 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 County's funds 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. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, General Road and Bridge Fund and the Construction Projects Fund, all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The County adopts annual appropriated budgets for its General, General Road and Bridge, and Debt Service Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with those budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a component of proprietary funds) is used to report activities that provide supplies and services for other programs and activities, such as the County's self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, the Internal Service Funds are reported with governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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.

Required supplementary information. Required supplementary information is in addition to the basic financial statements and accompanying notes and presents a budgetary comparison schedules, which includes the original and final amended budget and actual figures. It also includes funding progress schedules for the County’s retirement plan and retiree health plan.

GOVERNMENT-WIDE FIANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government’s financial position. In the case of Kaufman County, assets exceeded liabilities by \$12,890,891 as of September 30, 2014.

The County’s investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is 92% of net position. These assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in 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.

Capital assets decreased \$556,053 (net) while current and other assets increased \$29,540,701. Cash and investment balances increased \$27,719,352, primarily due to the County issuing the 2014 Unlimited Tax Road Bond. Long-term liabilities decreased from the prior year by \$30,111,726. The predominant reason for the change in the liabilities is the issuance of the Road Bond, an increase in the OPEB liability of \$816,731, and payments on outstanding debt of \$2,181,250.

Governmental activities. Governmental activities decreased the County’s net position by \$2,811,822. The decrease from the prior year is due primarily to the \$6,960,055 increase in County expenditures, and increase in overall revenues of \$4,406,473 due primarily an \$754,252 increase in property tax revenue and \$875,277 gain on sale of capital assets.

**Table – 1
Kaufman County, Texas’ Net Position**

	Governmental Activities	
	2014	2013
ASSETS		
Current and other assets	\$ 43,242,169	\$ 13,701,468
Capital assets	25,907,416	25,351,363
Total assets	<u>69,149,585</u>	<u>39,052,831</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	274,389	308,687
Total deferred outflows of resources	<u>274,389</u>	<u>308,687</u>
LIABILITIES		
Long-term liabilities	50,932,524	20,820,798
Other liabilities	5,600,559	2,657,762
Total liabilities	<u>56,533,083</u>	<u>23,478,560</u>
NET POSITION		
Net investment in capital assets	11,889,057	9,427,340
Restricted	5,248,730	5,946,585
Unrestricted	(4,246,896)	509,033
Total net position	<u>\$ 12,890,891</u>	<u>\$ 15,882,958</u>

Table – 2
Kaufman County, Texas’ Changes in Net Position

	Governmental Activities	
	2014	2013
REVENUES		
General revenues:		
Property taxes	\$ 33,528,405	\$ 32,774,053
Charges for services	7,309,266	7,053,075
Grants and contributions	4,341,034	1,914,732
Investment income	178,240	112,871
Miscellaneous	318,584	94,334
Gain on disposal of capital assets	875,277	195,268
Total revenues	<u>46,550,806</u>	<u>42,144,333</u>
EXPENSES		
General government	12,285,456	12,156,629
Public safety and corrections	16,892,691	17,302,705
Judicial	5,888,613	5,313,239
Community service	300,708	366,708
Infrastructure and environmental services	12,242,139	6,399,566
Health and human services	291,138	440,727
Interest and fiscal charges	1,120,039	422,999
Bond issuance costs	341,844	-
Total expenses	<u>49,362,628</u>	<u>42,402,573</u>
Extraordinary item	-	922,016
CHANGE IN NET POSITION	<u>(2,811,822)</u>	<u>663,776</u>
NET POSITION, BEGINNING	15,882,958	14,677,441
CHANGE IN ACCOUNTING PRINCIPLE	(180,245)	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>541,741</u>
NET POSITION, BEGINNING, RESTATED	<u>15,702,713</u>	<u>15,219,182</u>
NET POSITION, ENDING	<u>\$ 12,890,891</u>	<u>\$ 15,882,958</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

The General Fund is the chief operating fund of Kaufman County. At the end of the year, unassigned total fund balance of the General Fund was \$2,264,227. As a measure of the General Fund’s liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned total fund balance represents 7% of total General Fund expenditures.

The fund balance of the General Fund increased by \$473,065 during the fiscal year. Expenditures exceeded revenues for the year by \$96,806, so the primary reason for the overall increase in fund balance was the sale of land in the amount of \$899,834.

The General Road and Bridge Fund had an ending fund balance of \$2,189,913. This fund includes the General Road and Bridge Fund as well as the four individual precinct road and bridge funds. Fund balance increased in this fund by \$720,899. This increase was due to revenue exceeding total expenditures by \$491,980 and due to transfers in of \$102,194.

The Construction Projects Fund had an ending fund balance of \$25,039,730 which is an increase of \$24,225,978. This increase is primarily the result of proceeds from the Series 2014 Unlimited Tax Road Bonds issued in the year in the amount of \$28,589,392. Additionally, the County spent \$6,170,245 in this fund for various projects including the cost of road improvements for roads not owned by the County.

GENERAL FUND BUDGETARY HIGHLIGHTS

County departments are actively involved in fee-producing activities and collecting outstanding account receivables. Continuous monitoring of departmental expenditures, implementation of a new purchasing policy and conversion to new financial software has aided in controlling expenditures.

- Due to the County's lower than desired fund balance at the end of FY 2013, efforts to control funds were implemented. The County stayed \$1,609,208 under budget in expenditures through cost cutting measures.
- The County was under budget with revenues. Revenues collected were \$249,685 more than what was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Kaufman County's investment in capital assets for its governmental activities as of fiscal year-end was \$25,907,416 (net of accumulated depreciation), a increase of \$556,053 from the prior year. The decrease primarily results from depreciation recorded during the year, offset somewhat by various purchases and disposals of assets in the ordinary course of operations. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, roads, bridges and office furniture and equipment.

Table 3
Kaufman County, Texas' Capital Assets

	Governmental Activities	
	2014	2013
Land	\$ 1,281,406	\$ 1,281,406
Construction in progress	1,680,481	432,615
Public monuments	1,178,391	712,736
Buildings and improvements	27,809,751	27,809,751
Infrastructure	11,575,075	11,575,075
Machinery and equipment	<u>16,584,816</u>	<u>15,452,439</u>
	60,109,920	57,264,022
Less: accumulated depreciation	<u>(34,202,504)</u>	<u>(31,912,659)</u>
Total capital assets, net	<u>\$ 25,907,416</u>	<u>\$ 25,351,363</u>

Long-term Debt. At the end of the fiscal year, the County had total debt outstanding of \$50,932,524 which is an increase of \$30,111,726 from the prior year. In January of 2014, the County was informed its debt rating received a two-notch upgrade to A+ by Standard and Poors.

Table 4
Kaufman County, Texas' Outstanding Debt

	Governmental Activities	
	2014	2013
General obligation refunding bonds	\$ 12,270,000	\$ 12,270,000
Unlimited tax road bonds	29,163,850	-
Accreted interest	21,031	-
Bond premiums	2,112,172	403,387
Tax Note	145,000	1,490,000
Loans Payable	1,175,426	1,226,509
Compensated absences	1,103,038	894,248
Capital leases	431,436	842,814
OPEB	<u>4,510,571</u>	<u>3,693,840</u>
Total Outstanding Debt	<u>\$ 50,932,524</u>	<u>\$ 20,820,798</u>

State statutes limit the amount of general obligation debt that a county may issue to 10% of its total assessed valuation. The current debt limit for Kaufman County is \$587,549,960 which is significantly in excess of the County's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the County of Kaufman, Texas, and were considered in developing the 2014-2015 fiscal year budgets:

- The unemployment rate for Kaufman County is currently 5.1%, which is a significant decrease from a rate of 6.3% a year ago.
- A property tax rate increase of 1.97% was adopted to fund increases in recurring expenditure obligations including the 2014 Tax Road Bond Issue of \$29,163,850.
- In 2014, Kaufman County voters approved a \$56 million bond issue of which \$26 million has not been issued. Issuances of those remaining bonds are scheduled over the next six years.
- An increase in the rates on the Kaufman County's current fee schedule.
- A slight increase in the taxable assessed value as a percentage of estimated actual value and resulting in increases in property assessments seems to be a current trend in Kaufman County.
- The Kaufman County population is currently 111,236 which is a 35% increase over the 2010 census of 71,313. This information was compiled by the Texas Association of Counties.
- Interest rates have been at record low levels throughout the last five years, with a minimal increase beginning to come forth.
- On the expenditures side, increases are expected in health insurance premiums, as well as pension and other employee benefits costs.
- Kaufman County entered into a 5 year contract for the housing of Federal Inmates at the County's Law Enforcement Center.
- For future growth in developing the 911 Regional Call Center, Kaufman County plans to issue a \$3.67 million bond for the purchase of dispatch telecommunications equipment. Interlocal agreements will be placed between the County and local cities for providing better communications throughout the County to protect and provide services to Kaufman County citizens.
- Kaufman County management team continues to review ways to cut the costs of expenditures and still provide the best services to our customers, the "Citizens."

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Kaufman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's office, 3003 S. Washington, Kaufman, Texas 75142.

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**BASIC
FINANCIAL STATEMENTS**

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KAUFMAN COUNTY, TEXAS

STATEMENT OF NET POSITON

SEPTEMBER 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 35,077,861
Investments	1,904,691
Taxes receivable, net of allowance for uncollectibles	1,990,959
Accounts receivable	1,659,263
Due from other governments	2,473,332
Prepaid expenses	136,063
Capital assets, net:	
Not subject to depreciation	4,140,278
Subject to depreciation	<u>21,767,138</u>
Total assets	<u>69,149,585</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	<u>274,389</u>
Total deferred outflows of resources	<u>274,389</u>
LIABILITIES	
Accounts payable	1,318,657
Accrued liabilities	3,720,092
Due to other governments	250,131
Unearned revenue	64,056
Accrued interest	247,623
Long-term liabilities:	
Due within one year	1,943,975
Due in more than one year	<u>48,988,549</u>
Total liabilities	<u>56,533,083</u>
NET POSITION	
Net investment in capital assets	11,889,057
Restricted:	
Road and bridge projects	2,673,791
Public safety	345,021
Judicial	380,252
Fire code enforcement	105,414
Historical preservation	34,866
Records management and preservation	1,316,401
Court technology and security	379,581
Other purposes	13,404
Unrestricted	<u>(4,246,896)</u>
Total net position	<u>\$ 12,890,891</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 12,285,456	\$ 4,035,147	\$ 233,316	\$ -	\$(8,016,993)
Public safety and corrections	16,892,691	1,009,617	801,441	18,250	(15,063,383)
Judicial	5,888,613	1,971,555	596,484	47,830	(3,272,744)
Community services	300,708	-	59,938	40,318	(200,452)
Infrastructure and environmental	12,242,139	292,947	2,509,809	33,648	(9,405,735)
Health and human services	291,138	-	-	-	(291,138)
Interest and fiscal charges	1,120,039	-	-	-	(1,120,039)
Bond issuance costs	341,844	-	-	-	(341,844)
Total governmental activities	<u>49,362,628</u>	<u>7,309,266</u>	<u>4,200,988</u>	<u>140,046</u>	<u>(37,712,328)</u>
Total primary government	<u>\$ 49,362,628</u>	<u>\$ 7,309,266</u>	<u>\$ 4,200,988</u>	<u>\$ 140,046</u>	<u>(37,712,328)</u>
General revenues:					
Property taxes					33,528,405
Investment income					178,240
Gain on disposal of capital assets					875,277
Miscellaneous					<u>318,584</u>
Total general revenues					<u>34,900,506</u>
Change in net position					(2,811,822)
Net position, beginning					15,882,958
Change in accounting principle					<u>(180,245)</u>
Net position, beginning, restated					<u>15,702,713</u>
Net position, ending					<u>\$ 12,890,891</u>

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

KAUFMAN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>General</u>	<u>General Road and Bridge</u>	<u>Construction Projects</u>
ASSETS			
Cash and cash equivalents	\$ 2,266,879	\$ 2,452,769	\$ 27,145,778
Investments	900,144	-	1,004,397
Receivables:			
Taxes	1,635,624	234,344	-
Accounts	1,656,106	3,157	-
Due from other governments	189,998	12,940	1,991,621
Due from other funds	258,666	-	-
Prepaid items	7,794	-	-
Total assets	<u>\$ 6,915,211</u>	<u>\$ 2,703,210</u>	<u>\$ 30,141,796</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 894,509	\$ 242,368	\$ -
Accrued liabilities	523,308	67,134	3,110,445
Due to other governments	250,131	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>1,667,948</u>	<u>309,502</u>	<u>3,110,445</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>2,983,036</u>	<u>203,795</u>	<u>1,991,621</u>
Total deferred inflows of resources	<u>2,983,036</u>	<u>203,795</u>	<u>1,991,621</u>
FUND BALANCES			
Restricted			
Road and bridge projects		2,189,913	25,039,730
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	<u>2,264,227</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,264,227</u>	<u>2,189,913</u>	<u>25,039,730</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,915,211</u>	<u>\$ 2,703,210</u>	<u>\$ 30,141,796</u>

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

<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 3,205,420	\$ 35,070,846
150	1,904,691
120,991	1,990,959
-	1,659,263
278,773	2,473,332
5,000	263,666
-	7,794
<u>\$ 3,610,334</u>	<u>\$ 43,370,551</u>
\$ 181,780	\$ 1,318,657
19,205	3,720,092
-	250,131
263,151	263,151
<u>64,056</u>	<u>64,056</u>
<u>528,192</u>	<u>5,616,087</u>
<u>226,265</u>	<u>5,404,717</u>
<u>226,265</u>	<u>5,404,717</u>
280,083	27,509,726
345,021	345,021
380,252	380,252
105,414	105,414
34,866	34,866
1,316,401	1,316,401
379,581	379,581
126,960	126,960
13,404	13,404
(126,105)	2,138,122
<u>2,855,877</u>	<u>32,349,747</u>
<u>\$ 3,610,334</u>	<u>\$ 43,370,551</u>

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KAUFMAN COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Fund balances - governmental funds		\$ 32,349,747
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 28,251,184	
Less: accumulated depreciation	<u>(2,343,768)</u>	25,907,416
Some of the County's revenues will be collected after year-end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds.		
Property taxes	1,696,662	
Court fines	1,595,293	
Interlocal agreements	1,991,621	
Grant revenue	<u>121,141</u>	
		5,404,717
Net other post employment benefits obligation in governmental activities does not require current financial resources and therefore are not reported in the governmental funds balance sheet.		
		(4,510,571)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report bond issuance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		(46,019,295)
Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund is included in governmental activities in the statement of net position.		
		6,500
Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		<u>(247,623)</u>
Net position of governmental activities		<u>\$ 12,890,891</u>

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

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

	General	General Road and Bridge	Construction Projects
REVENUES			
Property taxes	\$ 27,349,483	\$ 4,394,671	\$ -
Mixed beverage taxes	110,926	-	-
License and permits	42,843	-	-
Fees of office	3,198,166	2,146,138	-
Charges for services	400,174	86,683	-
Forfeitures	-	-	-
Intergovernmental	1,218,646	453,691	-
Investment income	81,073	19,458	66,456
Miscellaneous	177,093	2,964	-
Total revenues	<u>32,578,404</u>	<u>7,103,605</u>	<u>66,456</u>
EXPENDITURES			
General government	11,112,745	-	-
Public safety and corrections	14,159,195	-	-
Judicial	5,129,879	-	-
Community services	288,343	-	-
Infrastructure and environmental	392,507	6,007,752	5,022,586
Health and human service	278,671	-	-
Capital outlay	727,148	400,809	730,661
Debt service:			
Principal	555,968	189,468	-
Interest and fiscal charges	30,754	13,596	-
Bond issuance costs	-	-	416,998
Total expenditures	<u>32,675,210</u>	<u>6,611,625</u>	<u>6,170,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(96,806)</u>	<u>491,980</u>	<u>(6,103,789)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	113,798	-	28,589,392
Premium on issuance of debt	-	-	1,841,286
Sale of capital assets	899,834	1,735	-
Operating transfers in	51,369	102,194	-
Operating transfers out	(630,130)	-	(100,911)
Issuance of capital lease	135,000	124,990	-
Total other financing sources (uses)	<u>569,871</u>	<u>228,919</u>	<u>30,329,767</u>
NET CHANGE IN FUND BALANCES	473,065	720,899	24,225,978
FUND BALANCES, BEGINNING	<u>1,791,162</u>	<u>1,469,014</u>	<u>813,752</u>
FUND BALANCES, ENDING	<u>\$ 2,264,227</u>	<u>\$ 2,189,913</u>	<u>\$ 25,039,730</u>

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

<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 1,839,942	\$ 33,584,096
-	110,926
46,473	89,316
730,016	6,074,320
-	486,857
136,238	136,238
1,008,781	2,681,118
11,253	178,240
145,348	325,405
<u>3,918,051</u>	<u>43,666,516</u>
681,728	11,794,473
1,242,445	15,401,640
594,845	5,724,724
-	288,343
37,387	11,460,232
-	278,671
641,620	2,500,238
1,435,814	2,181,250
982,724	1,027,074
-	416,998
<u>5,616,563</u>	<u>51,073,643</u>
<u>(1,698,512)</u>	<u>(7,407,127)</u>
574,459	29,277,649
-	1,841,286
-	901,569
628,847	782,410
(51,369)	(782,410)
-	259,990
<u>1,151,937</u>	<u>32,280,494</u>
(546,575)	24,873,367
<u>3,402,452</u>	<u>7,476,380</u>
<u>\$ 2,855,877</u>	<u>\$ 32,349,747</u>

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KAUFMAN 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 SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds: \$ 24,873,367

Amounts reported for governmental activities in the Statement of Activities are different

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost and accumulated depreciation of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 2,841,321	
Less: current year depreciation	<u>(2,343,768)</u>	497,553

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		58,500
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(166,757)	
Court fines	63,008	
Interlocal agreements	1,991,621	
Grant revenue	<u>121,141</u>	2,009,013

The issuance of long-term debt (e.g., certificates of obligation, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt is an expenditure in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(29,033,566)
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Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accreted interest	(21,031)	
Compensated absences	(208,790)	
OPEB obligation	<u>(816,731)</u>	(1,046,552)

Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		<u>170,137</u>
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Change in net position of governmental activities		<u>\$ (2,811,822)</u>
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The accompanying notes are an integral part of these financial statements.

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KAUFMAN COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2014

	<u>Governmental Activities Internal Service</u>
ASSETS	
Current assets:	
Cash	\$ <u>7,015</u>
Total assets	<u>7,015</u>
LIABILITIES	
Current liabilities:	
Due to other funds	<u>515</u>
Total liabilities	<u>515</u>
NET POSITION	
Unrestricted	<u>6,500</u>
Total net position	\$ <u>6,500</u>

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

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KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities Internal Service
OPERATING REVENUES	\$ <u> -</u>
OPERATING EXPENSES	<u> -</u>
CHANGE IN NET POSITION	-
NET POSITION, BEGINNING	<u> 6,500</u>
NET POSITION, ENDING	\$ <u> 6,500</u>

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

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KAUFMAN COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Governmental Activities Internal Service <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ <u> -</u>
NET INCREASE (DECREASE) IN CASH	-
CASH, BEGINNING	<u> 6,500</u>
CASH, ENDING	\$ <u><u> 6,500</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u> -</u></u>

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

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

	<u>Governmental Activities Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ <u>5,204,721</u>
Total assets	<u><u>5,204,721</u></u>
LIABILITIES	
Due to others	<u>5,204,721</u>
Total liabilities	<u><u>\$ 5,204,721</u></u>

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

KAUFMAN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman County was incorporated in 1849 as a public corporation and political subdivision of the State of Texas. The Commissioners' Court is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services, among others, as authorized by the statutes of the State of Texas: general administration (Commissioners' Court, County Judge and County Clerk); judicial (Courts, District Clerk and Juries); legal (prosecutors, investigators and outside counsel); financial administration (County Auditor, Treasurer and Tax Assessor-Collector); public safety (Sheriff and other law enforcement officials); roads and bridges; assistance to indigent residents; and County libraries. The financial statements of Kaufman County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units.

A. Reporting Entity

In determining the financial reporting entity, Kaufman County, Texas complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.*" Under this standard, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

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 activities of the primary government. 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 business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major governmental funds reported by the County are:

General Fund – The General Fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes; fees, fines and forfeitures; intergovernmental revenue; and income derived from investment of available funds. Primary expenditures are for administrative, judicial and legal services and public safety.

General Road and Bridge Fund – The General Road and Bridge Fund accounts for resources used in the construction and maintenance of County roads and bridges. This fund also finances the activities of the County's four road and bridge precinct funds.

Construction Projects Fund – accounts for financial resources to be used for the acquisition or construction of major capital facilities and for road construction projects belonging to other entities within the County.

Nonmajor funds include Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported 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 between 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 Enterprise Fund are charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The County has one proprietary fund which is classified as an Internal Service Fund. The Insurance Fund is used to account for the County's group medical self-insurance program. Revenues are derived from County contributions, employee and retiree/COBRA premiums, investment of idle funds and stop-loss collections. Expenses are claims and administrative expenses.

Fiduciary fund level 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.

D. Assets, Liabilities, and Net Position or Equity

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse September 30, and encumbrances at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments. From time to time, the County invests its available funds in time deposits and other short-term, interest-bearing securities. Time deposits and securities having a maturity date of three months or less from the date of issuance are classified as cash equivalents, while those with a maturity of more than three months are classified as investments.

All investments of the County are made pursuant to the Texas Public Funds Investment Act. Investments at September 30, 2014, are stated at fair market value in accordance with provisions of GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*,” and consist of obligations that are fully insured by the State of Texas.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses on the government-wide financial statements and fund financial statements. The fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources.”

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than an adopted threshold and an estimated useful life in excess of one year. The thresholds adopted by the Commissioners’ Court are as follows:

Land and land improvements	Capitalize all
Infrastructure	\$ 100,000
Buildings and building improvements	50,000
Furniture and equipment	5,000
Monuments	Capitalize all

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	10 - 30 years
Furniture and equipment	3 - 15 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years
Public Monuments	Capitalize all

Items Capitalized but not Depreciated

The County possesses certain capital assets that have been capitalized and not depreciated. These items are held for public exhibition and education rather than financial gain. They are also protected, kept unencumbered, cared for and preserved. Therefore, these items meet the criteria to be capitalized. These monuments and historical structures are deemed inexhaustible and are therefore not depreciated.

Compensated Absences

The County's permanent, fulltime employees with less than 8 years of service accrue 6.67 hours of vacation per month; those with 8 – 19 years of service accrue 10 hours per month; and those with service of 20 years or greater accrue 13.33 hours per month.

The County's permanent, fulltime employees accrue sick leave at the rate of 8 hours per month to a maximum 120 hours (90 days). Sick leave is paid to current employees if the employees are absent from work due to illness, injury or other situations requiring medical attention. An employee who leaves the County's employment for any reason other than retirement receives no compensation for accrued sick leave. Retiring employees who have at least 20 years of service are entitled to payment for up to 30 days of accrued sick leave, and the accrual is included in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The County levies taxes on or before the following September 30. They are due on October 1 and are delinquent after January 31.

Collections of property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor-Collector's Agency Fund. Tax collections made for the County are distributed to the General and Road and Bridge General Funds on a periodic basis throughout each month. This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for which the collections are made.

The combined tax rate for the year ended September 30, 2014, was \$.5565 per \$100 and was allocated as follows:

General fund	\$ 0.4520
Debt service fund	0.0305
Road and bridge funds	<u>0.0740</u>
 Total	 <u>\$ 0.5565</u>

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in the government-wide Statement of Net Position. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

	<u>General</u>	<u>General Road and Bridge</u>	<u>Construction Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Property taxes	\$ 1,387,743	\$ 203,795	\$ -	\$ 105,124	\$ 1,696,662
Court fines and fees receivable	1,595,293	-	-	-	1,595,293
Interlocal agreements	-	-	1,991,621	-	1,991,621
Grant funding	-	-	-	121,141	121,141
Total	<u>\$ 2,983,036</u>	<u>\$ 203,795</u>	<u>\$ 1,991,621</u>	<u>\$ 226,265</u>	<u>\$ 5,404,717</u>

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by the County Judge, with the assistance of the County Auditor and County Attorney, as needed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide statement of net position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Principles

Significant new accounting standards not yet implemented by the County include the following:

Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the County has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by \$180,245. This decrease is a result from no longer deferring and amortizing bond issuance costs.

Further, the County has restated its long-term liabilities to reflect that components of those liabilities as of October 1, 2013, deferred losses on bond refundings, are now reported as deferred outflows of resources in the government-wide financial statements. The effect of this change increased the long-term liabilities of the governmental activities by \$308,687. This increase in long-term liabilities corresponds to an increase in deferred outflows of resources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2014, the Library Memorials fund, SCAAP Grant fund, and Defense Expense Grant fund had deficit fund balance of \$4,796, \$168, and \$121,141 respectively. These deficits occurred because of availability of grant funding or from expenditures exceeding available resources. These deficits will either be resolved in the subsequent year by funding becoming available to the County or by transfers from the General fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The cash and investment policies of the County are governed by state statutes, Section 116.112 of the Local Government Code and Government Code Chapter 2256, Subchapters A and B. The County’s policies governing bank deposits require depositories to be FDIC insured institutions and to fully collateralize all deposits in excess of FDIC insured limits.

Cash

All demand and time deposits were entirely covered by FDIC insurance or by collateral held by the County’s agent in the County’s name. The fair market value for cash is not materially different from reported amounts.

Investments

Legal provisions generally permit the County to invest in certificates of deposit, fully collateralized repurchase agreements, public funds, investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, commercial paper, and other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, countries, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government’s name.
2. Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the government’s name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government’s name.

During the year ended September 30, 2014, all of the County’s investments were invested with the State of Texas Local Government Investment Pool (TexPool), which is a public funds investment pool created by the Treasurer of the State of Texas. TexPool acts as custodian of investments purchased with local investment funds. TexPool acts as custodian of investments purchased with local investment funds. TexPool investments are stated at amortized cost, which in most cases approximates the market value of the shares.

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
TexPool Prime	\$ <u>1,904,691</u>	51	AAAm
Portfolio weighted average maturity	\$ <u><u>1,904,691</u></u>	51	

Credit Risk – Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The County has limited credit risk in conformance to state statutes and County ordinance, by investing in only the safest types of securities as permitted by the Public Funds Investment Act, using approved brokers and with different investment pools.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment.

Concentration of Credit Risk – Custodial of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

Custodial Credit Risk – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits. At September 30, 2014, the County is fully collateralized.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The County’s investment policy does not permit securities listed in foreign denominations. Consequently, the County is not exposed to foreign currency risk.

B. Receivables

Receivables of the County consist of property taxes, fines and fees, and beverage tax. Beverage tax revenue is a small portion of the revenues for the County. Property taxes are the largest revenue producer for the County and are described above in the Summary of Significant Accounting Policies. Receivables as of year-end for the County’s individual funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>General Road and Bridge</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,814,083	\$ 260,382	\$ 134,434	\$ 2,208,899
Accounts	60,813	3,157	-	63,970
Adjudicated fine receivable	15,952,930	-	-	15,952,930
Due from other governments	<u>189,998</u>	<u>12,940</u>	<u>260,979</u>	<u>463,917</u>
Gross receivables	18,017,824	276,479	395,413	18,689,716
Less: allowance for uncollectibles	<u>(14,536,096)</u>	<u>(26,038)</u>	<u>(13,443)</u>	<u>(14,575,577)</u>
Net total receivables	<u>\$ 3,481,728</u>	<u>\$ 250,441</u>	<u>\$ 381,970</u>	<u>\$ 4,114,139</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Other governmental	\$ 258,666
	Internal service	515
Other governmental	Other governmental	<u>5,000</u>
Total General		<u>\$ 264,181</u>

The outstanding balances between funds result mainly from the time lag between the dates that expenditures are made and cash is received from granting agencies.

D. Capital Assets

All capital assets are valued at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are recorded at estimated acquisition costs by using indexes to discount estimated current replacement costs.

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,281,406	\$ 465,655	\$ -	\$ 1,747,061
Construction in progress	432,615	1,247,866	-	1,680,481
Public monuments	712,736	-	-	712,736
Total assets not being depreciated	<u>2,426,757</u>	<u>1,713,521</u>	<u>-</u>	<u>4,140,278</u>
Capital assets, being depreciated:				
Buildings	27,809,751	-	-	27,809,751
Infrastructure	11,575,075	-	-	11,575,075
Machinery and equipment	15,452,439	1,223,535	(91,158)	16,584,816
Total capital assets being depreciated	<u>54,837,265</u>	<u>1,223,535</u>	<u>(91,158)</u>	<u>55,969,642</u>
Less accumulated depreciation:				
Buildings	11,539,202	801,491	-	12,340,693
Infrastructure	9,494,829	256,821	-	9,751,650
Machinery and equipment	10,878,628	1,296,399	(64,866)	12,110,161
Total accumulated depreciation	<u>31,912,659</u>	<u>2,354,711</u>	<u>(64,866)</u>	<u>34,202,504</u>
Total capital assets being depreciated, net	<u>22,924,606</u>	<u>(1,131,176)</u>	<u>(26,292)</u>	<u>21,767,138</u>
Governmental activities capital assets, net	<u>\$ 25,351,363</u>	<u>\$ 582,345</u>	<u>\$(26,292)</u>	<u>\$ 25,907,416</u>

Depreciation expense for the year totaled \$2,354,711 and was charged to functions of the government-wide statement of activities as follows:

General government	\$ 626,416
Judicial	25,313
Public safety and corrections	1,073,446
Infrastructure and environmental	627,427
Community services	<u>2,109</u>
Total depreciation expense	<u>\$ 2,354,711</u>

E. Operating Leases

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2014, lease expenditures totaled \$870,301. These expenditures were offset by guaranteed buy-back provisions set forth in the original lease agreements in the amount of \$727,000. The net cost to the County for these operating leases for the year-ended September 30, 2014 was \$143,301. Future minimum operating lease commitments and guaranteed buy-back provisions are as follows:

<u>Years Ending September 30,</u>	<u>Lease Obligation</u>	<u>Guaranteed Buy-back</u>
2015	\$ 812,935	\$ 666,000
2016	379,368	316,000
2017	<u>210,000</u>	<u>210,000</u>
Total	<u>\$ 1,402,303</u>	<u>\$ 1,192,000</u>

F. Capital Leases

The County is a party in several lease agreements for equipment and vehicles. The terms of the agreements provide an option to purchase the equipment during or at the end of the lease term. The County obtained equipment for various departments. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases."

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 3,449,226
Less: accumulated depreciation	<u>(2,462,165)</u>
Total	<u>\$ 987,061</u>

Depreciation expense related to these leases for the year ended September 30, 2014, was \$483,223.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at September 30, 2014:

<u>Years Ending September 30,</u>	
2015	\$ 209,768
2016	147,699
2017	66,754
2018	<u>19,796</u>
Total minimum lease payments	444,017
Less: amount representing interest	<u>(12,581)</u>
Present value of minimum lease payments	<u>\$ 431,436</u>

G. Short-term Debt

In January 2014, the North Central Texas Council of Governments (NCTCOG) provided the County with a \$100,000 loan in order to fund the development of a bond program for the County. The balance of the loan including \$911 in interest was paid in full on November 25, 2013. A summary of the County's short-term borrowings at September 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Loan payable - NCTCOG	\$ 100,000	\$ -	\$(100,000)	\$ -
Total governmental activities	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$(100,000)</u>	<u>\$ -</u>

H. Long-term Debt

During the year ended September 30, 2014, the following changes occurred in a long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation refunding bonds	\$ 12,270,000	\$ -	\$ -	\$ 12,270,000	\$ 1,365,000
Unlimited tax road bonds	-	29,163,850	-	29,163,850	-
Tax note	1,490,000	-	(1,345,000)	145,000	30,000
Loans	1,226,509	113,798	(164,881)	1,175,426	180,462
Bond premiums	403,387	1,841,286	(132,501)	2,112,172	-
Accreted interest on bonds	-	21,031	-	21,031	-
Compensated absences	894,248	1,164,914	(956,124)	1,103,038	165,456
OPEB obligation	3,693,840	1,004,673	(187,942)	4,510,571	-
Capital leases	842,814	259,990	(671,368)	431,436	203,057
Total governmental activities	<u>\$ 20,820,798</u>	<u>\$ 33,569,542</u>	<u>\$(3,457,816)</u>	<u>\$ 50,932,524</u>	<u>\$ 1,943,975</u>

On June 28, 2012, the County issued \$13,585,000 of general obligation refunding bonds in order to refund previously issued debt. The annual requirements to amortize the general obligation bonds outstanding at September 30, 2014, are as follows:

General Obligation Bonds

Years Ending September 30,	Principal	Interest	Total Requirements
2015	1,365,000	347,625	1,712,625
2016	1,410,000	306,000	1,716,000
2017	1,455,000	263,025	1,718,025
2018	1,500,000	218,700	1,718,700
2019	1,550,000	172,950	1,722,950
2020-2024	<u>4,990,000</u>	<u>228,000</u>	<u>5,218,000</u>
Total	<u>\$ 12,270,000</u>	<u>\$ 1,536,300</u>	<u>\$ 13,806,300</u>

On February 1, 2014, the County issued Unlimited Tax Road Bonds, Series 2014. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County. The annual requirements to amortize these bonds outstanding at September 30, 2014, are as follows:

Unlimited Tax Road Bonds

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ -	\$ 1,334,525	\$ 1,334,525
2016	-	1,334,525	1,334,525
2017	-	1,334,525	1,334,525
2018	-	1,334,525	1,334,525
2019	-	1,334,525	1,334,525
2020-2024	3,855,000	6,623,875	10,478,875
2025-2029	11,365,000	4,821,500	16,186,500
2030-2034	<u>14,455,000</u>	<u>1,738,813</u>	<u>16,193,813</u>
Total	29,675,000	<u>\$ 19,856,813</u>	<u>\$ 49,531,813</u>
Less: interest accretion on bonds	(511,150)		
	<u>\$ 29,163,850</u>		

In December 2013, the County issued Tax Notes, Series 2013. These tax notes were issued to fund construction, design, and furniture and equipment purchases for the regional 9-1-1 call center. The annual requirements to amortize the Tax Note outstanding at September 30, 2013, are as follows:

Tax Note

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 30,000	\$ 1,840	\$ 31,840
2016	30,000	1,465	31,465
2017	30,000	1,060	31,060
2018	30,000	625	30,625
2019	<u>25,000</u>	<u>200</u>	<u>25,200</u>
Total	<u>\$ 145,000</u>	<u>\$ 5,190</u>	<u>\$ 150,190</u>

On October 1, 2012, the County entered into a State Infrastructure Bank loan agreement with the Texas Department of Transportation, whereby the County borrowed \$1,000,000 at an interest rate of 2.64% to fund the purchase of right-of-way for ongoing road construction projects. Final maturity of the loan is October 1, 2022. Additional loans were issued in FY 2013 and FY 2014 for the purchase of vehicles and equipment. Interest rates on these loans range from 2.0-3.2%. The annual requirements to amortize the loans payable at September 30, 2014, are as follows:

Loans Payable

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 181,888	\$ 30,082	\$ 211,970
2016	185,588	26,304	211,892
2017	111,593	21,792	133,385
2018	114,626	18,759	133,385
2019	117,741	15,643	133,384
2020-2022	<u>463,990</u>	<u>18,938</u>	<u>482,928</u>
Total	<u>\$ 1,175,426</u>	<u>\$ 131,518</u>	<u>\$ 1,306,944</u>

I. Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. In the opinion of the County's management, disallowed costs, if any, would not have a material effect on the County's financial position or results of operations.

The County is involved in certain legal actions and claims arising in the ordinary course of its operations. Although the outcome of these legal actions is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

J. Interfund Transfers

Interfund transfers for the fiscal year ending September 30, 2014, are summarized below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amounts</u>
General	Nonmajor governmental Road and Bridge	\$ 628,847 1,283
Construction Projects	Road and Bridge	100,911
Nonmajor governmental	General	<u>51,369</u>
		<u>\$ 782,410</u>

IV. OTHER INFORMATION

A. Pension Plan

Plan Description

Kaufman County provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of approximately 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034 or online at www.tcdrs.org.

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

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

Funding Policy

The employer has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.65% for the months of the accounting year 2014, and 9.43% for the months of the accounting year 2013.

The deposit rate payable by the employee members for calendar years 2013 and 2014 is the rate of 7.0% as adopted by the governing body of the employer within the options available in the TCDRS Act.

Funding Status and Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 40,998,701	\$ 47,162,963	\$ 6,164,262	86.93%	\$ 20,253,654	30.44%

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

Annual Pension Cost

For the employer's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$1,944,798, and the actual contributions were \$1,944,798.

Actuarial Valuation Information

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2011 and December 31, 2012, the basis for determining the contribution rates for fiscal year 2013. The December 31, 2013, actuarial valuation is the most recent valuation. Information in regards to actuarial information is as follows:

Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	20 years; closed period	20 years; closed period	20 years; closed period
Amortization period for new gains/losses	20 years	20 years	20 years
Asset valuation method			
Subdivision Accumulation Fund	5-yr. smoothed value	10-yr. smoothed value	10-yr. smoothed value
Employee Savings Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment rate of return*	8.00%	8.00%	8.00%
Projected salary increases*	4.90%	5.40%	5.40%
Inflation	3.00%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

Trend Information

<u>Plan/ Calendar Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2012	\$ 1,778,729	\$ 1,778,729	100.00%	\$ -
9/30/2013	1,886,814	1,886,814	100.00%	-
9/30/2014	1,944,798	1,944,798	100.00%	-

B. Other Postemployment Benefits

Program Description

In addition to the pension benefits described in Note IV A. as required by state law and defined by the County Policy, the County makes available health care benefits through the Texas Association of Counties Health and Employee Benefits Pool to all employees who retire from the County and who are receiving benefits from a County sponsored retirement program (TCDRS). The health care plan provides insurance to eligible retirees through the County's group health insurance plan, which covers both active and retired members, until age 65 when retirees become eligible and are required to enroll in Medicare Part B, at which time coverage supplements Medicare.

Current retirees in the health plan and at retirement, active employees that meet the conditions for retirement from TCDRS (age 60 and above with 8 years or more of service, 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more) are eligible to remain in the health plan at the age graded and gender distinct contribution rate for active and retiree participants. The County will cease to pay or provide this benefit should the retiree go to work for another employer that offers health insurance benefits.

Funding Policy

The County contributions to the Retiree Health Program consist of a pay-as-you-go monthly contribution rate of one-half (1/2) of the cost of health insurance per participant for those that retire with 8 to 19 years of service and 100% of the cost per participant for those that retire with 20 or more years of service. The County contributions to the plan for fiscal year 2014 were \$187,942. Current retirees with less than 20 years of service contribute to the Retiree Health Program with adjustments for age and gender. Monthly retiree contribution rate for fiscal year 2014 ranges from \$352.27 to \$1,030.41 for health insurance. Retirees and current employees with 8 to 19 years of service are financially responsible for one-half of the monthly premiums.

Annual OPEB Cost and Net OPEB Obligations

The County's annual other postemployment benefit (OPEB) cost (expense) for the Retiree Health Program is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period beginning October 1, 2009 as required by GASB.

The following table shows the components of the County's annual OPEB cost for the year ending September 30, 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$ 992,454
Interest on net OPEB obligation	166,223
Adjustment to the ARC	<u>(154,004)</u>
Annual OPEB cost	1,004,673
Contributions made	<u>(187,942)</u>
Increase (decrease) in net OPEB obligation	816,731
Net OPEB obligation/(asset), beginning	<u>3,693,840</u>
 Net OPEB obligation/(asset), ending	 <u>\$ 4,510,571</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Contributed	Net OPEB Obligation
9/30/2012	\$ 884,141	\$ 153,132	17.3%	\$ 2,905,907
9/30/2013	973,161	185,228	19.0%	3,693,840
9/30/2014	1,004,673	187,942	18.7%	4,510,571

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,724,843, all of which was unfunded. There are no valuation assets available to offset the liabilities of the plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ -	\$ 6,724,843	\$ 6,724,843	- %	\$ 20,253,654	33.20%

Actuarial values of the program involve estimates of the value of reported amounts and assumption of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information (only one year presented in this third year of implementation) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As the County chose to not establish an irrevocable trust, plan assets will always be reported under GASB Statement 45 as zero.

Actuarial Methods and Assumptions

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

The actuarial methods and significant assumptions used are as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	30 years; open
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.5%
Payroll growth rate	3.0%
Projected salary increases	3.0%
General inflation rate	3.0%
Health care cost trend rate	7.25% declining to an ultimate rate of 4.5% after 11 years

C. 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 for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the current fiscal year.

D. Subsequent Event

On April 7, 2015, the County issued \$3,670,000 in Public Property Finance Contractual Obligations, Series 2015. These obligations have interest rate of 2.25% and have a final maturity on February 15, 2027. The obligation is being issued to pay the cost of the acquisition or purchase of personal property for equipping the County's 911-Emergency Operations Center, including related base stations, and mobile equipment.

**REQUIRED
SUPPLEMENTARY INFORMATION**

KAUFMAN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF KAUFMAN COUNTY, TEXAS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	\$ 40,998,701	\$ 47,162,963	\$ 6,164,262	86.93%	\$ 20,253,654	30.44%
12/31/2012	38,434,384	45,464,955	7,030,571	84.54%	20,404,120	34.46%
12/31/2011	37,593,445	43,702,385	6,108,940	86.02%	19,104,033	31.98%

KAUFMAN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE EMPLOYEES OF KAUFMAN COUNTY, TEXAS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$ -	\$ 6,724,843	\$ 6,724,843	- %	\$ 20,253,654	33.20%
12/31/2010	-	5,365,354	5,365,354	- %	20,684,283	25.94%
12/31/2008	-	6,000,769	6,000,769	- %	20,331,014	29.52%

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 28,570,789	\$ 27,296,354	\$ 27,349,483	\$ 53,129
Mixed beverage taxes	31,750	102,550	110,926	8,376
License and permits	42,100	43,800	42,843	(957)
Fees of office	3,540,508	3,117,685	3,198,166	80,481
Charges for service	424,844	419,549	400,174	(19,375)
Intergovernmental	1,284,770	1,122,793	1,218,646	95,853
Investment income	47,500	53,300	81,073	27,773
Miscellaneous	134,600	172,688	177,093	4,405
Total revenues	<u>34,076,861</u>	<u>32,328,719</u>	<u>32,578,404</u>	<u>249,685</u>
EXPENDITURES				
Current:				
General government	11,953,753	11,139,872	11,112,745	27,127
Public safety	14,679,265	14,606,799	14,159,195	447,604
Judicial	5,250,277	5,193,110	5,129,879	63,231
Community services	343,040	342,174	288,343	53,831
Infrastructure and environmental services	371,330	407,243	392,507	14,736
Health and human services	422,859	423,159	278,671	144,488
Capital outlay	1,637,985	1,585,336	727,148	858,188
Debt service:				
Principal	555,970	555,942	555,968	(26)
Interest and fiscal charges	30,755	30,783	30,754	29
Total expenditures	<u>35,245,234</u>	<u>34,284,418</u>	<u>32,675,210</u>	<u>1,609,208</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(1,168,373)</u>	<u>(1,955,699)</u>	<u>(96,806)</u>	<u>1,858,893</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	113,798	113,798
Sale of capital assets	-	-	899,834	899,834
Operating transfers in	143,269	116,914	51,369	(65,545)
Operating transfers out	(536,738)	(623,705)	(630,130)	(6,425)
Issuance of capital lease	135,000	135,000	135,000	-
Total other financing sources (uses)	<u>(258,469)</u>	<u>(371,791)</u>	<u>569,871</u>	<u>827,864</u>
NET CHANGE IN FUND BALANCES	(1,426,842)	(2,327,490)	473,065	2,800,555
FUND BALANCES, BEGINNING	<u>1,791,162</u>	<u>1,791,162</u>	<u>1,791,162</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 364,320</u>	<u>\$ (536,328)</u>	<u>\$ 2,264,227</u>	<u>\$ 2,800,555</u>

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KAUFMAN COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

GENERAL ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,656,564	\$ 4,655,281	\$ 4,394,671	\$(260,610)
Fees of office	2,297,828	2,297,828	2,146,138	(151,690)
Charges for service	-	-	86,683	86,683
Intergovernmental	1,000	1,000	453,691	452,691
Investment income	13,650	13,650	19,458	5,808
Miscellaneous	1,100	1,100	2,964	1,864
Total revenues	<u>6,970,142</u>	<u>6,968,859</u>	<u>7,103,605</u>	<u>134,746</u>
EXPENDITURES				
Current:				
Infrastructure and environmental	7,821,657	7,830,572	6,007,752	1,822,820
Capital outlay	340,000	470,841	400,809	70,032
Debt service				
Principal	229,036	202,030	189,468	12,562
Interest and fiscal charges	129,152	117,314	13,596	103,718
Total expenditures	<u>8,519,845</u>	<u>8,620,757</u>	<u>6,611,625</u>	<u>2,009,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,549,703)</u>	<u>(1,651,898)</u>	<u>491,980</u>	<u>2,143,878</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,735	1,735
Operating transfers in	-	102,194	102,194	-
Issuance of capital lease	-	-	124,990	124,990
Total other financing sources (uses)	<u>-</u>	<u>102,194</u>	<u>228,919</u>	<u>126,725</u>
NET CHANGE IN FUND BALANCES	<u>(1,549,703)</u>	<u>(1,549,704)</u>	<u>720,899</u>	<u>2,270,603</u>
FUND BALANCES, BEGINNING	<u>1,469,014</u>	<u>1,469,014</u>	<u>1,469,014</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(80,689)</u>	<u>\$(80,690)</u>	<u>\$ 2,189,913</u>	<u>\$ 2,270,603</u>

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KAUFMAN COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

Budgetary Information

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

1. The County Judge has departmental meetings with management to determine the departmental budget requests.
2. The County Judge submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October. The operational budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. After the public hearings, the Commissioners' Court reviews the budget and makes any adjustments they feel necessary.
5. The budget is then legally enacted by the Commissioners' Court on or before October 1.

Only the governing body, composed of the Commissioners' Court, may amend the budget after its adoption so long as the amendment continues to meet the requirements of Section 111 of the *Local Government Code*. During the year, several supplementary amendments to the original budget were required. Individual amendments were not material in relation to the original appropriations, and all amendments were legally made. The County's budget authorizes expenditures for all governmental fund types. The County's legally adopted budget is at the department level in those funds with multiple departments and at the fund level in single department funds. All budgets are fixed in nature. For internal management purposes, the budgets are detailed by line item and entered into the accounting records. Comparisons of actual expenditures or expenses to budget are made on an ongoing basis. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budget appropriations lapse at year-end. Annual appropriated budgets are adopted for the General, General Road and Bridge Funds and Debt Service Funds.

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**COMBINING
STATEMENTS AND SCHEDULES**

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Sheriff Federal <u>Forfeitures</u>	Sheriff State <u>Forfeitures</u>	District Attorney <u>Forfeitures</u>
ASSETS			
Cash and cash equivalents	\$ 157,717	\$ 52,882	\$ 53,869
Investments	-	-	-
Receivables:			
Taxes	-	-	-
Due from other governments	-	-	-
Due from other funds	5,000	-	-
Total assets	<u>\$ 162,717</u>	<u>\$ 52,882</u>	<u>\$ 53,869</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 4,770	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	5,000	-
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>9,770</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Road and bridge projects	-	-	-
Public safety	162,717	43,112	-
Judicial	-	-	53,869
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	-	-	-
Total fund balances	<u>162,717</u>	<u>43,112</u>	<u>53,869</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 162,717</u>	<u>\$ 52,882</u>	<u>\$ 53,869</u>

<u>Law Library</u>	<u>Voter Registration</u>	<u>Juvenile Probation</u>	<u>Appellate Justice System</u>	<u>Records Management</u>	<u>Library Memorials</u>	<u>Courthouse Security</u>
\$ 256,365	\$ 6,844	\$ 142,004	\$ 18,478	\$ 440,035	\$ 1,568	\$ 106,362
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,038	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 256,365</u>	<u>\$ 8,882</u>	<u>\$ 142,004</u>	<u>\$ 18,478</u>	<u>\$ 440,035</u>	<u>\$ 1,568</u>	<u>\$ 106,362</u>
\$ 5,264	\$ 220	\$ 7,627	\$ -	\$ 949	\$ 1,364	\$ 1,311
-	-	16,287	-	2,918	-	-
-	-	12	-	-	5,000	-
-	-	-	-	-	-	-
<u>5,264</u>	<u>220</u>	<u>23,926</u>	<u>-</u>	<u>3,867</u>	<u>6,364</u>	<u>1,311</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	118,078	-	-	-	-
251,101	-	-	18,478	-	-	-
-	-	-	-	-	-	-
-	-	-	-	436,168	-	-
-	-	-	-	-	-	105,051
-	-	-	-	-	-	-
-	8,662	-	-	-	-	-
-	-	-	-	-	(4,796)	-
<u>251,101</u>	<u>8,662</u>	<u>118,078</u>	<u>18,478</u>	<u>436,168</u>	<u>(4,796)</u>	<u>105,051</u>
<u>\$ 256,365</u>	<u>\$ 8,882</u>	<u>\$ 142,004</u>	<u>\$ 18,478</u>	<u>\$ 440,035</u>	<u>\$ 1,568</u>	<u>\$ 106,362</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Records Management & Preservation	District Clerk Records Management & Preservation	Fire Code	CCL Diversion Court
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 288,063	\$ 151,364	\$ 106,587	\$ 42,674
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 288,063</u>	<u>\$ 151,364</u>	<u>\$ 106,587</u>	<u>\$ 42,674</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 69,035	\$ -	\$ 1,173	\$ 777
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>69,035</u>	<u>-</u>	<u>1,173</u>	<u>777</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES				
Restricted for:				
Road and bridge projects	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	-	41,897
Fire code enforcement	-	-	105,414	-
Historical preservation	-	-	-	-
Records management and preservation	219,028	151,364	-	-
Court technology and security	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>219,028</u>	<u>151,364</u>	<u>105,414</u>	<u>41,897</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 288,063</u>	 <u>\$ 151,364</u>	 <u>\$ 106,587</u>	 <u>\$ 42,674</u>

<u>Star Program</u>	<u>Constable Pct. 4 Forfeitures</u>	<u>Justice Court Building Security</u>	<u>Debt Service</u>	<u>Texas Water Improvement</u>	<u>Historical Society</u>
\$ 403	\$ 5,964	\$ 46,845	\$ 144,943	\$ 110	\$ 21,403
-	-	-	150	-	-
-	-	-	120,991	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 403</u>	<u>\$ 5,964</u>	<u>\$ 46,845</u>	<u>\$ 266,084</u>	<u>\$ 110</u>	<u>\$ 21,403</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746
-	-	-	-	-	-
-	-	-	34,000	101	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>34,000</u>	<u>101</u>	<u>746</u>
-	-	-	105,124	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>105,124</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	5,964	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	20,657
-	-	-	-	-	-
-	-	46,845	-	-	-
-	-	-	126,960	-	-
403	-	-	-	9	-
-	-	-	-	-	-
<u>403</u>	<u>5,964</u>	<u>46,845</u>	<u>126,960</u>	<u>9</u>	<u>20,657</u>
<u>\$ 403</u>	<u>\$ 5,964</u>	<u>\$ 46,845</u>	<u>\$ 266,084</u>	<u>\$ 110</u>	<u>\$ 21,403</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>Farm Museum</u>	<u>Juvenile Case Manager</u>	<u>LEOSE Training</u>
ASSETS			
Cash and cash equivalents	\$ 14,209	\$ 1,963	\$ 13,187
Investments	-	-	-
Receivables:			
Taxes	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 14,209</u>	<u>\$ 1,963</u>	<u>\$ 13,187</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Road and bridge projects	-	-	-
Public safety	-	1,963	13,187
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	14,209	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	-	-	-
Total fund balances	<u>14,209</u>	<u>1,963</u>	<u>13,187</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,209</u>	<u>\$ 1,963</u>	<u>\$ 13,187</u>

County & District Court Technology	JP Technology	Records Archive	SCAAP Grant	Transportation Improvements	Courthouse Security Grant	Water Mitigation Grant
\$ 6,442	\$ 246,517	\$ 509,971	\$ 49,566	\$ 280,783	\$ -	\$ 2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	9,706
-	-	-	-	-	-	-
<u>\$ 6,442</u>	<u>\$ 246,517</u>	<u>\$ 509,971</u>	<u>\$ 49,566</u>	<u>\$ 280,783</u>	<u>\$ -</u>	<u>\$ 9,708</u>
\$ -	\$ 25,274	\$ 130	\$ -	\$ 700	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	9,708
-	-	-	49,734	-	-	-
<u>-</u>	<u>25,274</u>	<u>130</u>	<u>49,734</u>	<u>700</u>	<u>-</u>	<u>9,708</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	280,083	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,442	221,243	509,841	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(168)	-	-	-
<u>6,442</u>	<u>221,243</u>	<u>509,841</u>	<u>(168)</u>	<u>280,083</u>	<u>-</u>	<u>-</u>
<u>\$ 6,442</u>	<u>\$ 246,517</u>	<u>\$ 509,971</u>	<u>\$ 49,566</u>	<u>\$ 280,783</u>	<u>\$ -</u>	<u>\$ 9,708</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Homeland Security Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	JAG Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,330	\$ 14,322	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ -	\$ 4,330	\$ 14,322	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	14,322	-
Total liabilities	-	-	14,322	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	-	-	-	-
FUND BALANCES				
Restricted for:				
Road and bridge projects	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	-	-
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	-
Court technology and security	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	4,330	-	-
Unassigned	-	-	-	-
Total fund balances	-	4,330	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 4,330	\$ 14,322	\$ -

Capital Murder Grant	Bulletproof Vest Grant	Emergency Notification System Grant	CETRZ Grant	Defense Expense Grant	Juror Reimbursements	Total Other Governmental Funds
\$ 11	\$ -	\$ -	\$ 3,239	\$ 871	\$ 15,527	\$ 3,205,420
-	-	-	-	-	-	150
-	-	-	-	-	-	120,991
102,430	14,310	-	29,148	121,141	-	278,773
-	-	-	-	-	-	5,000
<u>\$ 102,441</u>	<u>\$ 14,310</u>	<u>\$ -</u>	<u>\$ 32,387</u>	<u>\$ 122,012</u>	<u>\$ 15,527</u>	<u>\$ 3,610,334</u>
\$ 17,241	\$ 3,180	\$ -	\$ 32,387	\$ 9,012	\$ 620	\$ 181,780
-	-	-	-	-	-	19,205
85,200	11,130	-	-	113,000	-	263,151
-	-	-	-	-	-	64,056
<u>102,441</u>	<u>14,310</u>	<u>-</u>	<u>32,387</u>	<u>122,012</u>	<u>620</u>	<u>528,192</u>
-	-	-	-	121,141	-	226,265
-	-	-	-	121,141	-	226,265
-	-	-	-	-	-	280,083
-	-	-	-	-	-	345,021
-	-	-	-	-	14,907	380,252
-	-	-	-	-	-	105,414
-	-	-	-	-	-	34,866
-	-	-	-	-	-	1,316,401
-	-	-	-	-	-	379,581
-	-	-	-	-	-	126,960
-	-	-	-	-	-	13,404
-	-	-	-	(121,141)	-	(126,105)
-	-	-	-	(121,141)	14,907	2,855,877
<u>\$ 102,441</u>	<u>\$ 14,310</u>	<u>\$ -</u>	<u>\$ 32,387</u>	<u>\$ 122,012</u>	<u>\$ 15,527</u>	<u>\$ 3,610,334</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Sheriff Federal Forfeitures</u>	<u>Sheriff State Forfeitures</u>	<u>District Attorney Forfeitures</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
License and permits	-	-	-
Fees of office	-	-	-
Forfeitures	-	86,599	49,639
Intergovernmental	-	-	-
Investment income	-	-	22
Miscellaneous	<u>136,803</u>	<u>-</u>	<u>-</u>
Total revenues	<u>136,803</u>	<u>86,599</u>	<u>49,661</u>
EXPENDITURES			
General government	-	-	-
Public safety and corrections	23,853	61,095	-
Judicial	-	-	48,342
Infrastructure and environmental	-	-	-
Capital outlay	-	-	8,714
Debt service:			
Principal	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>23,853</u>	<u>61,095</u>	<u>57,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>112,950</u>	<u>25,504</u>	<u>(7,395)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	112,950	25,504	(7,395)
FUND BALANCES, BEGINNING	<u>49,767</u>	<u>17,608</u>	<u>61,264</u>
FUND BALANCES, ENDING	<u><u>\$ 162,717</u></u>	<u><u>\$ 43,112</u></u>	<u><u>\$ 53,869</u></u>

Law Library	Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
62,313	-	12,000	9,801	251,985	-	68,491
-	-	-	-	-	-	-
-	2,038	535,998	-	-	-	-
1,778	56	1,061	-	2,695	-	531
-	-	-	-	-	510	-
<u>64,091</u>	<u>2,094</u>	<u>549,059</u>	<u>9,801</u>	<u>254,680</u>	<u>510</u>	<u>69,022</u>
-	2,038	-	-	201,643	28,442	-
-	-	1,020,659	-	-	-	-
88,796	-	-	10,192	-	-	54,294
-	-	-	-	-	-	-
-	-	26,718	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>88,796</u>	<u>2,038</u>	<u>1,047,377</u>	<u>10,192</u>	<u>201,643</u>	<u>28,442</u>	<u>54,294</u>
(24,705)	<u>56</u>	(498,318)	(391)	<u>53,037</u>	(27,932)	<u>14,728</u>
-	-	-	-	-	-	-
-	-	535,073	-	-	-	-
-	-	(58)	-	-	-	-
-	-	<u>535,015</u>	-	-	-	-
(24,705)	56	36,697	(391)	53,037	(27,932)	14,728
<u>275,806</u>	<u>8,606</u>	<u>81,381</u>	<u>18,869</u>	<u>383,131</u>	<u>23,136</u>	<u>90,323</u>
<u>\$ 251,101</u>	<u>\$ 8,662</u>	<u>\$ 118,078</u>	<u>\$ 18,478</u>	<u>\$ 436,168</u>	<u>\$ (4,796)</u>	<u>\$ 105,051</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Records Management and Preservation</u>	<u>District Clerk Records Management and Preservation</u>	<u>Fire Code</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
License and permits	-	-	46,473
Fees of office	38,408	25,556	-
Forfeitures	-	-	-
Intergovernmental	-	-	-
Investment income	2,471	919	-
Miscellaneous	-	-	-
Total revenues	<u>40,879</u>	<u>26,475</u>	<u>46,473</u>
EXPENDITURES			
General government	210,320	-	752
Public safety and corrections	-	-	9,376
Judicial	-	-	-
Infrastructure and environmental	-	-	-
Capital outlay	-	-	29,630
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>210,320</u>	<u>-</u>	<u>39,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(169,441)</u>	<u>26,475</u>	<u>6,715</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(47,886)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(47,886)</u>
NET CHANGE IN FUND BALANCES	<u>(169,441)</u>	<u>26,475</u>	<u>(41,171)</u>
FUND BALANCES, BEGINNING	<u>388,469</u>	<u>124,889</u>	<u>146,585</u>
FUND BALANCES, ENDING	<u>\$ 219,028</u>	<u>\$ 151,364</u>	<u>\$ 105,414</u>

CCL Diversion Court	Star Program	Constable Pct. 4 Forfeitures	Justice Court Building Security	Debt Service	Texas Water Improvement	Historical Society
\$ -	\$ -	\$ -	\$ -	\$ 1,839,942	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	47,115	-	-	-
-	-	-	-	-	-	-
-	-	38	-	1,494	9	132
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>38</u>	<u>47,115</u>	<u>1,841,436</u>	<u>9</u>	<u>132</u>
-	-	-	-	-	-	1,453
-	-	-	-	-	-	-
8,902	-	-	620	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,700	-
-	-	-	-	1,435,814	-	-
-	-	-	-	982,724	-	-
<u>8,902</u>	<u>-</u>	<u>-</u>	<u>620</u>	<u>2,418,538</u>	<u>4,700</u>	<u>1,453</u>
(8,902)	-	38	46,495	(577,102)	(4,691)	(1,321)
-	-	-	-	574,459	-	-
11,935	-	-	-	-	-	6,800
-	-	-	-	-	-	(3,425)
<u>11,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,459</u>	<u>-</u>	<u>3,375</u>
3,033	-	38	46,495	(2,643)	(4,691)	2,054
<u>38,864</u>	<u>403</u>	<u>5,926</u>	<u>350</u>	<u>129,603</u>	<u>4,700</u>	<u>18,603</u>
<u>\$ 41,897</u>	<u>\$ 403</u>	<u>\$ 5,964</u>	<u>\$ 46,845</u>	<u>\$ 126,960</u>	<u>\$ 9</u>	<u>\$ 20,657</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Farm Museum	Juvenile Case Manager	LEOSE Training
REVENUES			
Property taxes	\$ -	\$ -	\$ -
License and permits	-	-	-
Fees of office	-	-	-
Forfeitures	-	-	-
Intergovernmental	-	-	9,949
Investment income	45	-	-
Miscellaneous	8,035	-	-
Total revenues	<u>8,080</u>	<u>-</u>	<u>9,949</u>
EXPENDITURES			
General government	6,869	-	-
Public safety and corrections	-	-	11,803
Judicial	-	-	-
Infrastructure and environmental	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>6,869</u>	<u>-</u>	<u>11,803</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,211</u>	<u>-</u>	<u>(1,854)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Operating transfers in	6,800	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>6,800</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8,011	-	(1,854)
FUND BALANCES, BEGINNING	<u>6,198</u>	<u>1,963</u>	<u>15,041</u>
FUND BALANCES, ENDING	<u>\$ 14,209</u>	<u>\$ 1,963</u>	<u>\$ 13,187</u>

County & District Court Technology	JP Technology	Records Archive	SCAAP Grant	Transportation Improvements	Courthouse Security Grant	Water Mitigation Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,658	28,039	181,650	-	-	-	-
-	-	-	-	-	-	-
-	-	-	11,751	-	47,830	40,318
-	-	-	-	-	-	-
<u>4,658</u>	<u>28,039</u>	<u>181,650</u>	<u>11,751</u>	<u>-</u>	<u>47,830</u>	<u>40,318</u>
-	-	-	-	166,632	-	-
-	-	-	-	-	17,750	-
8,466	11,779	17,228	11,751	-	-	-
-	-	-	-	-	-	-
-	35,555	-	-	465,655	30,080	40,318
-	-	-	-	-	-	-
<u>8,466</u>	<u>47,334</u>	<u>17,228</u>	<u>11,751</u>	<u>632,287</u>	<u>47,830</u>	<u>40,318</u>
(3,808)	(19,295)	164,422	-	(632,287)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,808)	(19,295)	164,422	-	(632,287)	-	-
<u>10,250</u>	<u>240,538</u>	<u>345,419</u>	<u>(168)</u>	<u>912,370</u>	<u>-</u>	<u>-</u>
<u>\$ 6,442</u>	<u>\$ 221,243</u>	<u>\$ 509,841</u>	<u>\$ (168)</u>	<u>\$ 280,083</u>	<u>\$ -</u>	<u>\$ -</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Homeland Security Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	JAG Grant
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	-	-	-
Forfeitures	-	-	-	-
Intergovernmental	250	1,772	64,497	6,412
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>250</u>	<u>1,772</u>	<u>64,497</u>	<u>6,412</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	-	-	64,497	6,412
Judicial	-	-	-	-
Infrastructure and environmental	-	-	-	-
Capital outlay	250	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>250</u>	<u>-</u>	<u>64,497</u>	<u>6,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,772</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	1,772	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>2,558</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ -</u></u>	<u><u>\$ 4,330</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Capital Murder Grant	Bulletproof Vest Grant	Emergency Notification System Grant	CETRZ Grant	Defense Expense Grant	Juror Reimbursements	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,839,942
-	-	-	-	-	-	46,473
-	-	-	-	-	-	730,016
-	-	-	-	-	-	136,238
215,790	11,528	27,000	33,648	-	-	1,008,781
-	-	-	-	-	2	11,253
-	-	-	-	-	-	145,348
<u>215,790</u>	<u>11,528</u>	<u>27,000</u>	<u>33,648</u>	<u>-</u>	<u>2</u>	<u>3,918,051</u>
52,051	11,528	-	-	-	-	681,728
-	-	27,000	-	-	-	1,242,445
163,739	-	-	-	121,141	49,595	594,845
-	-	-	37,387	-	-	37,387
-	-	-	-	-	-	641,620
-	-	-	-	-	-	1,435,814
-	-	-	-	-	-	982,724
<u>215,790</u>	<u>11,528</u>	<u>27,000</u>	<u>37,387</u>	<u>121,141</u>	<u>49,595</u>	<u>5,616,563</u>
-	-	-	(3,739)	(121,141)	(49,593)	(1,698,512)
-	-	-	-	-	-	574,459
-	-	-	3,739	-	64,500	628,847
-	-	-	-	-	-	(51,369)
-	-	-	3,739	-	64,500	1,151,937
-	-	-	-	(121,141)	14,907	(546,575)
-	-	-	-	-	-	3,402,452
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (121,141)</u>	<u>\$ 14,907</u>	<u>\$ 2,855,877</u>

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**DEBT SERVICE
BUDGET TO ACTUAL**

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KAUFMAN COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,938,251	\$ 1,938,251	\$ 1,839,942	\$(98,309)
Investment income	3,500	3,500	1,494	(2,006)
Total revenues	<u>1,941,751</u>	<u>1,941,751</u>	<u>1,841,436</u>	<u>(100,315)</u>
EXPENDITURES				
Debt service				
Principal	1,435,814	1,435,814	1,435,814	-
Interest and fiscal charges	<u>412,357</u>	<u>986,816</u>	<u>982,724</u>	<u>4,092</u>
Total expenditures	<u>1,848,171</u>	<u>2,422,630</u>	<u>2,418,538</u>	<u>4,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>93,580</u>	<u>(480,879)</u>	<u>(577,102)</u>	<u>(96,223)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	574,459	574,459	-
Total other financing sources (uses)	<u>-</u>	<u>574,459</u>	<u>574,459</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	93,580	93,580	(2,643)	(96,223)
FUND BALANCES, BEGINNING	<u>129,603</u>	<u>129,603</u>	<u>129,603</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 223,183</u>	<u>\$ 223,183</u>	<u>\$ 126,960</u>	<u>\$(96,223)</u>

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COMPLIANCE SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable Commissioners' Court
of Kaufman County, Texas
Kaufman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Kaufman County, Texas' basic financial statements, and have issued our report thereon dated June 19, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency, Item 2014-001, described in the accompanying Schedule of Findings and Responses to be a material weakness.

Compliance and Other Matters

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

Kaufman County's Response to Findings

Kaufman County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Kaufman County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 19, 2015



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable Judge and
Commissioners' Court
Kaufman County, Texas

Report on Compliance for Each Major State Program

We have audited Kaufman County, Texas' (the "County") compliance with the types of compliance requirements described in the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2014. The County's major state programs are identified in the summary of auditors' 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 state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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 the *State of Texas Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 19, 2015

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Program Title</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
STATE AWARDS		
<u>Texas Department of Transportation</u>		
County Entergy Transportation Reinvestment Zones (CETRZ)	N/A	\$ 33,648
Total Texas Department of Transportation		<u>33,648</u>
<u>Texas Indigent Defense Commission</u>		
Indigent Defense - Formula Grant	212-14-129	162,018
Extraordinary Disbursement - Defense Expense Grant	N/A	103,347
Indigent Defense - Discretionary Grant	212-13-D07	21,722
Indigent Defense - Discretionary Grant	212-34-D07	41,583
Total Texas Indigent Defense Commission		<u>328,670</u>
<u>Office of the Attorney General</u>		
Victim Coordinator Liaison Grant (VCLG)	1333350	3,250
Victim Notification Service (SAVNS) Grant	1445899	14,046
Total Office of the Attorney General		<u>17,296</u>
<u>Texas Commission on Environmental Quality</u>		
Emissions Enforcement Grant	582-8-89955	64,497
AirCheck (LIRAP)	582-12-20285	35,705
Total Texas Commission on Environmental Quality		<u>100,202</u>
<u>Office of the Governor, Criminal Justice Division</u>		
County Essentials Program - Courthouse Security	CE-13-A10-27350-01	47,830
County Essentials Program - Capital Murder Grant	2740901	215,790
Total Office of the Governor, Criminal Justice Division		<u>263,620</u>
Total Expenditures of State Awards		<u>\$ 743,436</u>

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

SEPTEMBER 30, 2014

Note 1 – General

The Schedule of Expenditures of State Awards presents the activity of all applicable state awards of Kaufman County, Texas (the “County”) for the year ended September 30, 2014. The County's reporting entity is defined in Note 1 of the basic financial statements.

Note 2 – Basis of Accounting

The Schedule of Expenditures of State Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of *the State of Texas Single Audit Circular*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

KAUFMAN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	2014 - 001
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with State of Texas Uniform Grant Management Standards?	None
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Identification of major programs:

County Essentials Program - Capital Murder Grant
Indigent Defense - Formula Grant

Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

KAUFMAN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SEPTEMBER 30, 2014

**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Item 2014-001:

Internal Controls at Justice of the Peace Offices

Condition:

While walking through the internal control procedures at the County's Justice of the Peace offices, we determined that there is no regular review of dismissed, voided or deleted cases. Additionally, we noted several instances where the clerks and office personnel had a signature stamp for the judge which was used regularly for a various number of reasons.

Criteria:

Proper reviews and authorizations for transactions is a critical part of any internal control system and will help detect any errors or abuse that could occur. Additionally, when a signature stamp is used, it should be because of the volume of signatures necessary, not to circumvent the requirement of signatures to document review and approval of transactions. A signature stamp should only be available to the person whose signature is on the stamp, or in their absence, to one other individual who is not a signor on the account. A signature stamps should be kept in a secured location with limited access by office personnel. This control will help prevent unauthorized use of signature stamps.

Cause:

Proper controls have not been implemented to ensure the security of signature stamps or to ensure that all transactions are properly reviewed and authorized.

Effect:

Internal controls in these offices functioned in such a manner that errors, fraud, or misappropriation would not be detected by management in a timely basis.

Recommendation:

We recommend that procedures be put into place that will ensure that all dismissals or voided or deleted cases are properly reviewed and authorized by the appropriate level of management and that all signature stamps be secured.

KAUFMAN COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

SEPTEMBER 30, 2014

Management's Response: Management agrees with the safeguarding of County assets. The County Auditor's Office will run reports on deleted and dismissed cases. Confirmation letters will also be mailed out to defendants as an additional step of the internal audit process.

Contact Person Responsible for Corrective Action: County Auditor – Internal audit reports and reviews of internal controls.

Justice of the Peace Offices – Each Justice of the Peace should be aware of safeguarding their signature stamps and County assets.

Anticipated Completion Date: July 2015

Findings and Questioned Costs for State Awards

None

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SEPTEMBER 30, 2014

Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

Item 2013-001:

Accounting for Employee Compensated Absences

Condition:

While analyzing compensated absences, we noticed that the County is not following its policy regarding compensated absences earned by employees. On the schedule provided during the audit, it appears that there are several employees accruing more sick time and vacation balances than are allowable under the policy. There are also issues with the accruing and use of comp time by County employees.

Criteria:

The County should verify that all employees are accruing the proper amount of vacation, sick time and comp time. There should not be employees that have more than the stated amounts per the policy on the benefits worksheet. The County's accrual of compensated absences should mirror the policy that was adopted by the Commissioners' Court.

Cause:

The County is not following the policy it has set up for accrual of compensated absences. The benefits department states that elected officials are overriding the system by allowing employees to carry more time than allowed by the policy. The benefits department also feels that they do not have the authority to tell elected officials that they have employees with more hours than are allowed by policy.

Effect:

The County's benefits worksheet has employees with more time than allowed by County policy. It also has allowed employees to be compensated for balances that are in excess of County policy limits.

Recommendation:

We recommend the benefits accruals be kept in the County's accounting software. The software should be able to be customized to ensure that benefits are accruing in accordance with the County's policy. We also recommend the benefits accruals be updated on a regular basis and reviewed by Commissioners' Court.

Current Status:

This matter has been resolved.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SEPTEMBER 30, 2014

Item 2013-002:

Credit Card Policy Compliance

Condition:

During credit card testing, we noted that there are unpaid balances and late charges on some credit cards. There were also credit card transactions that did not have receipts attached to the credit card payment documentation. We also found that several purchases are approved after a purchase was made.

Criteria:

In July of 2012, the County adopted a new credit card policy. It established guidelines for procedures over the use of County credit cards. Following these procedures greatly increases internal controls over credit cards and makes employees accountable for their use.

Effect:

The County has unpaid balances on some cards and these cards are accruing interest and fees. There are also purchases that do not have original purchase documents available for review.

Condition:

During credit card testing, we noted that there are unpaid balances and late charges on some credit cards. There were also credit card transactions that did not have receipts attached to the credit card payment documentation. We also found that several purchases are approved after a purchase was made.

Criteria:

In July of 2012, the County adopted a new credit card policy. It established guidelines for procedures over the use of County credit cards. Following these procedures greatly increases internal controls over credit cards and makes employees accountable for their use.

Effect:

The County has unpaid balances on some cards and these cards are accruing interest and fees. There are also purchases that do not have original purchase documents available for review.

Recommendation:

We recommend the County adhere to the written policy and procedures guide over the use of County credit and purchasing cards.

Current Status:

This matter has been resolved.

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