

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2016

Commissioners' Court:

County Judge	Mr. Bruce Wood
Commissioner of Precinct #1	Mr. Mike Hunt
Commissioner of Precinct #2	Mr. Williams Phillips
Commissioner of Precinct #3	Mr. Terry Barber
Commissioner of Precinct #4	Mr. Jakie Allen

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. Joseph Chad Jones

86th Judicial District of the State of Texas:

District Judge	Mr. Casey Blair
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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2016

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
County Auditor	Ms. Karen MacLeod
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. Bobby Rich
County Clerk	Ms. Laura Hughes
County Sheriff	Mr. Bryan Beavers
County Tax Assessor-Collector	Ms. Brenda Samples
County Treasurer	Mr. Ronnie Oldfield
County Veterans Service Officer	Mr. Robert Hunter
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. Lisa Callahan

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, 2016, 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, 2015, 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.

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 4-12, the Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System on page 47, the Schedule of Employer Contributions – Texas County and District Retirement System on page 48, the Schedule of Funding Progress for the Retiree Health Plan for the Employees of Kaufman County, Texas on page 50, the Statement of Revenues and Expenditures – Budget and Actual – General Fund on page 51, the Statement of Revenues and Expenditures – Budget and Actual – General Road and Bridge Fund on page 52 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 and schedules and the schedule of expenditures of state awards as required by the state of Texas Uniform Grant Management Standards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 schedules 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 9, 2017, 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 9, 2017

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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, 2016. 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 liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the year by \$(1,492,571) (net position). The balance of unrestricted net position at year end was \$(18,229,586)
- Total net position decreased by \$8,044,862 due primarily to the \$4,415,282 increase in total expenses which includes a \$3,994,681 increase in the County's net pension obligation.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$39,391,673, an increase of \$15,074,740 from the previous year.
- The unassigned fund balance in the General Fund of \$1,878,994 is available for spending at the County's discretion.

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 deferred outflows of resources and liabilities and deferred inflows of resources with the difference 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 or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into two categories: governmental 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.

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 budgetary comparison schedules, which includes the original and final amended budget and actual figures, schedule of changes in net pension liability and related ratios, schedule of employer contributions to the Texas County and District Retirement System, and a funding progress schedule for the County's retiree health plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of Kaufman County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(1,492,571) as of September 30, 2016.

The County's investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is a large portion 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 \$(1,508,125) (net) while current and other assets increased \$14,673,785. Cash and investment balances increased \$11,851,986, primarily due to the County issuing approximately \$23.6 million of the Unlimited Tax Road Bonds, Series 2016 in fiscal year 2016. Long-term liabilities increased from the prior year by \$28,762,560. The predominant reason for the change in liabilities is the issuance of the Unlimited Tax Bonds, Series 2016, an increase in the OPEB liability of \$759,417, and the increase of the net pension liability of \$3,944,681.

Governmental activities. Governmental activities decreased the County's net position by \$8,044,862. The decrease from the prior year is due primarily to the \$4,415,282 increase in County expenses, and increase in overall revenues of \$2,287,840.

Table – 1
Kaufman County, Texas’ Net Position

	Governmental Activities	
	2016	2015
ASSETS		
Current and other assets	\$ 55,945,945	\$ 41,272,160
Capital assets	<u>25,106,572</u>	<u>26,614,697</u>
Total assets	<u>81,052,517</u>	<u>67,886,857</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	205,793	240,091
Deferred outflow of resources related to pensions	<u>7,269,174</u>	<u>2,175,222</u>
Total deferred outflows of resources	<u>7,474,967</u>	<u>2,415,313</u>
LIABILITIES		
Long-term liabilities	84,796,881	56,034,321
Other liabilities	<u>4,052,323</u>	<u>7,519,834</u>
Total liabilities	<u>88,849,204</u>	<u>63,554,155</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	<u>1,170,851</u>	<u>245,539</u>
Total deferred outflows of resources	<u>1,170,851</u>	<u>245,539</u>
NET POSITION		
Net investment in capital assets	11,016,148	12,995,644
Restricted	5,720,867	6,932,580
Unrestricted	<u>(18,229,586)</u>	<u>(13,425,748)</u>
Total net position	<u><u>\$ (1,492,571)</u></u>	<u><u>\$ 6,502,476</u></u>

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

	Governmental Activities	
	2016	2015
REVENUES		
General revenues:		
Property taxes	\$ 37,736,896	\$ 35,586,187
Charges for services	9,914,560	9,229,117
Grants and contributions	6,363,741	6,540,948
Investment income	134,036	209,983
Miscellaneous	303,920	389,718
Gain on disposal of capital assets	85,433	294,793
Total revenues	<u>54,538,586</u>	<u>52,250,746</u>
EXPENSES		
General government	14,775,359	13,547,822
Public safety and corrections	18,349,963	18,688,878
Judicial	6,473,768	6,572,517
Community service	299,990	328,905
Infrastructure and environmental services	20,431,869	16,868,014
Health and human services	266,083	380,566
Interest and fiscal charges	1,586,140	1,723,892
Bond issuance costs	400,276	57,572
Total expenses	<u>62,583,448</u>	<u>58,168,166</u>
CHANGE IN NET POSITION	<u>(8,044,862)</u>	<u>(5,917,420)</u>
NET POSITION, BEGINNING	6,502,476	12,890,891
CHANGE IN ACCOUNTING PRINCIPLES	<u>49,815</u>	<u>(470,995)</u>
NET POSITION, BEGINNING, RESTATED	<u>6,552,291</u>	<u>12,419,896</u>
NET POSITION, ENDING	<u><u>\$ (1,492,571)</u></u>	<u><u>\$ 6,502,476</u></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 \$1,878,994. 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 5% of total General Fund expenditures.

The fund balance of the General Fund increased by \$189,297 during the fiscal year. Revenues exceeded expenditures for the year by \$1,587,276.

The General Road and Bridge Fund had an ending fund balance of \$3,359,207. 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 \$839,397. This increase was due to revenue exceeding total expenditures by \$570,741 and due to the sale of capital assets of \$62,929.

The Construction Projects Fund had an ending fund balance of \$31,605,165 which is an increase of \$15,786,138. This increase is primarily the result of the issuance of the 2016 Unlimited Tax Road Bonds. The County spent \$10,663,351 in this fund during the year.

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 \$1,609,209 under budget during FY 2014 and \$829,568 under budget in expenditures through cost cutting measures during the current fiscal year.
- Revenues collected were \$415,572 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 \$25,106,572 (net of accumulated depreciation), a decrease of \$(1,508,125) from the prior year. The decrease primarily resulted from the completion of construction in progress during the year, in combination by various purchases and disposals of assets in the ordinary course of operations not exceeding the current year depreciation expense. 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	
	2016	2015
Land	\$ 2,017,983	\$ 1,866,960
Construction in progress	-	281,396
Public monuments	712,736	712,736
Buildings and improvements	30,350,056	30,350,056
Infrastructure	11,575,075	11,575,075
Machinery and equipment	17,873,196	17,357,638
	62,529,046	62,143,861
Less: accumulated depreciation	(37,422,474)	(35,529,164)
 Total capital assets, net	 \$ <u>25,106,572</u>	 \$ <u>26,614,697</u>

Long-term Debt. At the end of the fiscal year, the County had total debt outstanding of \$84,796,881, which is an increase of \$28,762,560 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 Poor's.

Table 4
Kaufman County, Texas' Outstanding Debt

	Governmental Activities	
	2016	2015
General obligation refunding bonds	\$ 9,495,000	\$ 10,905,000
Unlimited tax road bonds	52,808,850	29,163,850
Accreted interest	123,596	71,418
Bond premiums	4,482,651	1,979,671
Tax Note	85,000	115,000
Loans Payable	4,237,910	4,586,551
Compensated absences	1,296,309	1,722,750
Capital leases	272,514	198,828
Net pension liability	5,940,430	1,996,049
Net OPEB obligation	6,054,621	5,295,204
 Total Outstanding Debt	 \$ <u>84,796,881</u>	 \$ <u>56,034,321</u>

State statutes limit the amount of general obligation debt that a county may issue to 5% of its total assessed valuation. The current debt limit for Kaufman County is \$323,490,589 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 2016-2017 fiscal year budgets:

- The unemployment rate for Kaufman County is current 4.0% which is a slight increase from a rate of 3.7% a year ago.
- In 2014, Kaufman County voters approved a \$56 million bond issue of which all debt has been fully issued. These bonds are being used to improve the road infrastructure with interconnecting roads throughout the County and the metropolitan Dallas and Fort Worth areas.
- The taxable assessed value in property values are still reflecting increases and seems to be the current trend in Kaufman County. Many new developments for residential homes are on the increase county wide. Industrial developments are occurring throughout the County which increased the taxable assessed values.
- The Kaufman County population is currently 118,350 which is a 14.5% increase of the 2010 census. This information was compiled by the Texas Association of Counties.
- Interest rates are still at low levels with slight increases in Texas Pool Prime for investments.
- On expenditures side, increases are expected in health and insurance premiums, as well as pension and other employee benefit costs.
- Kaufman County's 2014 contract for the housing of Federal Inmates at the County's Law Enforcement Center is still generating additional revenues. The Sheriff's department anticipates the contract being extended beyond the original five year contract agreement.
- The 911 Telecommunications Center's construction has been completed and the Center is fully functional. The Center provides county wide telecommunications for all other law enforcement and first responders. Many of the cities within Kaufman County have entered into an interlocal agreement for the County to provide these services.
- In 2017 budget, the Kaufman County Commissioners' purchased software for tracking the materials used for building and repairing County roads throughout the County. This software will have the ability to provide detailed reports for audit tracking, infrastructure improvements and capital asset projects which will benefit the citizens of Kaufman County and County management.

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, 100 N. Washington, Kaufman, Texas 75142.

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**BASIC
FINANCIAL STATEMENTS**

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KAUFMAN COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 42,412,236
Taxes receivable, net of allowance for uncollectibles	1,930,141
Accounts receivable	1,678,285
Due from other governments	9,885,441
Prepaid expenses	39,842
Capital assets:	
Nondepreciable	2,730,719
Depreciable, net	<u>22,375,853</u>
Total assets	<u>81,052,517</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	205,793
Deferred outflow of resources related to pensions	<u>7,269,174</u>
Total deferred outflows of resources	<u>7,474,967</u>
LIABILITIES	
Accounts payable	2,444,096
Accrued liabilities	972,539
Due to other governments	320,436
Unearned revenue	63,929
Accrued interest	251,323
Long-term liabilities:	
Due within one year	2,158,367
Due in more than one year	<u>82,638,514</u>
Total liabilities	<u>88,849,204</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>1,170,851</u>
Total deferred outflows of resources	<u>1,170,851</u>
NET POSITION	
Net investment in capital assets	11,016,148
Restricted:	
Road and bridge projects	3,899,729
Public safety	285,337
Judicial	367,184
Fire code enforcement	152,169
Historical preservation	42,830
Records management and preservation	541,537
Court technology and security	376,864
Debt service	44,914
Other purposes	10,303
Unrestricted	<u>(18,229,586)</u>
Total net position	<u><u>\$ (1,492,571)</u></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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 14,775,359	\$ 4,305,035	\$ 386,838	\$ 6,500	\$(10,076,986)
Public safety and corrections	18,349,963	1,000,620	1,135,636	-	(16,213,707)
Judicial	6,473,768	4,154,572	385,736	-	(1,933,460)
Community services	299,990	-	299,369	-	(621)
Infrastructure and environmental	20,431,869	454,333	4,007,745	141,917	(15,827,874)
Health and human services	266,083	-	-	-	(266,083)
Interest and fiscal charges	1,586,140	-	-	-	(1,586,140)
Bond issuance costs	400,276	-	-	-	(400,276)
Total governmental activities	62,583,448	9,914,560	6,215,324	148,417	(46,305,147)
Total primary government	\$ 62,583,448	\$ 9,914,560	\$ 6,215,324	\$ 148,417	(46,305,147)
General revenues:					
Property taxes					37,736,896
Investment income					134,036
Gain on disposal of capital assets					85,433
Miscellaneous					303,920
Total general revenues					38,260,285
Change in net position					(8,044,862)
Net position, beginning					6,502,476
Prior Period Adjustment					49,815
Net position, beginning, restated					6,552,291
Net position, ending					\$(1,492,571)

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

KAUFMAN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General	General Road and Bridge	Construction Projects
ASSETS			
Cash and cash equivalents	\$ 3,658,215	\$ 3,782,678	\$ 32,637,347
Receivables:			
Taxes	1,550,671	242,485	-
Accounts	1,674,068	4,217	-
Due from other governments	388,012	397,420	8,937,651
Due from other funds	631,694	-	-
Prepaid items	36,609	-	-
Total assets	7,939,269	4,426,800	41,574,998
LIABILITIES			
Accounts payable	871,686	422,056	1,032,182
Accrued liabilities	841,113	105,015	-
Due to other governments	320,436	-	-
Due to other funds	481,681	-	-
Unearned revenue	-	-	-
Total liabilities	2,514,916	527,071	1,032,182
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,008,750	540,522	8,937,651
Total deferred inflows of resources	3,008,750	540,522	8,937,651
FUND BALANCES			
Nonspendable			
Prepaid items	36,609	-	-
Restricted			
Road and bridge projects	-	3,359,207	31,605,165
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Committed			
Debt service	500,000	-	-
Unassigned	1,878,994	-	-
Total fund balances	2,415,603	3,359,207	31,605,165
Total liabilities, deferred inflows of resources and fund balances	\$ 7,939,269	\$ 4,426,800	\$ 41,574,998

<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 2,333,996	\$ 42,412,236
136,985	1,930,141
-	1,678,285
162,358	9,885,441
481,681	1,113,375
3,233	39,842
<u>3,118,253</u>	<u>57,059,320</u>
118,172	2,444,096
26,411	972,539
-	320,436
631,694	1,113,375
63,929	63,929
<u>840,206</u>	<u>4,914,375</u>
266,349	12,753,272
<u>266,349</u>	<u>12,753,272</u>
3,233	39,842
-	34,964,372
386,770	386,770
367,184	367,184
152,169	152,169
42,830	42,830
541,537	541,537
376,864	376,864
74,405	74,405
176,915	176,915
10,303	10,303
-	500,000
(120,512)	1,758,482
<u>2,011,698</u>	<u>39,391,673</u>
\$ <u>3,118,253</u>	\$ <u>57,059,320</u>

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KAUFMAN COUNTY, TEXAS

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

SEPTEMBER 30, 2016

Fund balances - governmental funds	\$ 39,391,673
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 current financial resources and therefore are not reported in the funds:	
Governmental capital assets	62,529,046
Less: accumulated depreciation	(37,422,474)
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	1,658,897
Court fines	1,627,890
Interlocal agreements	8,937,651
Grant revenue	528,834
Certain long-term liabilities reported in governmental activities do not require current financial resources and therefore are not reported in the governmental funds balance sheet.	
Net OPEB obligation	(6,054,621)
Net pension liability	(5,940,430)
Compensated absences	(1,296,309)
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 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.	
	(71,505,521)
Certain deferred inflows and deferred outflows of resources are only reported in the government-wide financial statements:	
Deferred outflows of resources:	
Related to pensions	7,269,174
Deferred loss on bond refunding	205,793
Deferred inflows of resources:	
Related to pensions	(1,170,851)
Other assets reported in governmental activities are not current financial resources and therefore are not reported in the funds	
	-
Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	
	(251,323)
Net position of governmental activities	<u><u>\$ (1,492,571)</u></u>

KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	General Road and Bridge	Construction Projects
REVENUES			
Property taxes	\$ 28,866,001	\$ 5,552,095	\$ -
Mixed beverage taxes	142,868	-	-
License and permits	52,255	-	-
Fees of office	3,874,485	2,131,639	-
Charges for services	631,657	118,834	-
Forfeitures	-	-	-
Intergovernmental	3,317,219	777,092	-
Investment income	58,512	16,926	49,213
Miscellaneous	181,910	2,700	-
Total revenues	37,124,907	8,599,286	49,213
EXPENDITURES			
General government	12,751,310	-	-
Public safety and corrections	15,630,983	-	-
Judicial	5,522,171	-	-
Community services	316,785	-	-
Infrastructure and environmental	406,011	7,127,978	10,262,675
Health and human service	256,464	-	-
Capital outlay	635,610	765,971	-
Debt service:			
Principal	15,152	126,315	-
Interest and fiscal charges	3,145	8,281	400
Bond issuance costs	-	-	400,276
Total expenditures	35,537,631	8,028,545	10,663,351
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,587,276	570,741	(10,614,138)
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	23,645,000
Premium on issuance of debt	-	-	2,755,276
Sale of capital assets	21,980	62,929	-
Insurance recoveries	22,114	-	-
Transfers in	20,780	5,727	-
Transfers out	(1,462,853)	-	-
Issuance of capital lease	-	200,000	-
Total other financing sources (uses)	(1,397,979)	268,656	26,400,276
NET CHANGE IN FUND BALANCES	189,297	839,397	15,786,138
FUND BALANCES, BEGINNING	2,226,306	2,519,810	15,819,027
FUND BALANCES, ENDING	\$ 2,415,603	\$ 3,359,207	\$ 31,605,165

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

Other Nonmajor Governmental	Total Governmental Funds
\$ 3,241,611	\$ 37,659,707
-	142,868
64,629	116,884
826,012	6,832,136
-	750,491
132,269	132,269
1,214,172	5,308,483
9,385	134,036
36,532	221,142
<u>5,524,610</u>	<u>51,298,016</u>
1,010,808	13,762,118
1,260,064	16,891,047
917,339	6,439,510
-	316,785
141,917	17,938,581
-	256,464
1,825,634	3,227,215
1,773,488	1,914,955
1,777,074	1,788,900
-	400,276
<u>8,706,324</u>	<u>62,935,851</u>
(3,181,714)	(11,637,835)
2,365	23,647,365
-	2,755,276
2,911	87,820
-	22,114
1,457,126	1,483,633
(20,780)	(1,483,633)
-	200,000
<u>1,441,622</u>	<u>26,712,575</u>
(1,740,092)	15,074,740
<u>3,751,790</u>	<u>24,316,933</u>
<u>\$ 2,011,698</u>	<u>\$ 39,391,673</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, 2016

Net change in fund balances - total governmental funds: \$ 15,074,740

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

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	1,309,638
Less: current year depreciation	(2,343,993)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(24,501)
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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	(65,679)
Court fines	(7,048)
Interlocal agreements	3,028,170
Grant revenue	193,194

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.

Repayment of long-term liabilities	1,914,955
Issuance of long-term debt	(26,600,276)
Amortization of:	
Deferred loss on bond refunding	(34,298)
Premium on bond issuance	252,296
Prepaid bond insurance	(119,021)

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	(52,178)
Compensated absences	(72,643)
OPEB obligation	(759,417)
Net pension liability	224,259

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.	36,940
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Change in net position of governmental activities	\$(8,044,862)
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KAUFMAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2016

	<u>Governmental Activities Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ <u>5,901,340</u>
Total assets	<u>5,901,340</u>
LIABILITIES	
Due to others	<u>5,901,340</u>
Total liabilities	<u><u>\$ 5,901,340</u></u>

KAUFMAN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 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. 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 – The 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.

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.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 nonspendable 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 acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

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.

Pensions

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

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, Road and Bridge General Funds, and Debt Service Fund 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, 2016, was \$.5762 per \$100 and was allocated as follows:

General Fund	\$	0.4398
Debt Service Fund		0.0497
General Road and Bridge Fund		<u>0.0867</u>
Total	\$	<u>0.5762</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 County has the following items that qualify for reporting in this category:

- Deferred losses on debt 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.
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Changes in actuarial assumptions – This difference is deferred and recognized over the average remaining service lives of all members determined as of the measurement date.

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 the following items that qualify for reporting in this category.

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- In the statement of net position, the difference in expected and actual pension experience is deferred and recognized over the average remaining service lives of all members determined as of the measurement date.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	General Road and Bridge	Construction Projects	Nonmajor Governmental	Total
Property taxes	\$ 1,327,524	\$ 212,051	\$ -	\$ 119,322	\$ 1,658,897
Court fines and fees receivable	1,627,890	-	-	-	1,627,890
Interlocal agreements	-	-	8,937,651	-	8,937,651
Grant funding	<u>53,336</u>	<u>328,471</u>	<u>-</u>	<u>147,027</u>	<u>528,834</u>
Total	<u>\$ 3,008,750</u>	<u>\$ 540,522</u>	<u>\$ 8,937,651</u>	<u>\$ 266,349</u>	<u>\$ 12,753,272</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.
 - During the fiscal year 2016, the County committed \$500,000 for early additional payments on the Regional Call Center Equipment Loan. The county committed these funds per ordinance dated as of July 27, 2016.
- **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 deferred outflows of resources and liabilities and deferred inflows of resources. 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 deferred outflows of resources and liabilities and deferred inflows of resources 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:

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the County in fiscal year 2018.

GASB Statement No. 77, “Tax Abatement Disclosures” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the County in fiscal year 2017.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2016, the SCAAP Grant fund, Water Mitigation Fund, Capital Murder Grant, and Enhancement Grant funds had deficit fund balances of \$168, \$7,981, \$111,000, and \$1,363 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, 2016, 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>26,002,439</u>	48	AAAm
Portfolio weighted average maturity	\$ <u>26,002,439</u>	48	

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, 2016, 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 as of year-end for the County, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>General Road and Bridge</u>	<u>Construction Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,718,735	\$ 269,427	\$ -	\$ 152,206	\$ 2,140,368
Accounts	46,178	4,217	-	-	50,395
Adjudicated fine receivable	16,278,903	-	-	-	16,278,903
Due from other governments	<u>388,012</u>	<u>397,420</u>	<u>8,937,651</u>	<u>162,358</u>	<u>9,885,441</u>
Gross receivables	18,431,828	671,064	8,937,651	314,564	28,355,107
Less: allowance for uncollectibles	<u>(14,819,077)</u>	<u>(26,942)</u>	<u>-</u>	<u>(15,221)</u>	<u>(14,861,240)</u>
Net total receivables	<u>\$ 3,612,751</u>	<u>\$ 644,122</u>	<u>\$ 8,937,651</u>	<u>\$ 299,343</u>	<u>\$ 13,493,867</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor governmental	\$ 631,694
Nonmajor governmental	General	<u>481,681</u>
Total General		<u>\$ 1,113,375</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

Capital asset activity for the year ended September 30, 2016, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers In/ Transfers Out	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,866,960	\$ 151,023	\$ -	\$ -	\$ 2,017,983
Construction in progress	281,396	-	(281,396)	-	-
Public monuments	<u>712,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,736</u>
Total assets not being depreciated	<u>2,861,092</u>	<u>151,023</u>	<u>(281,396)</u>	<u>-</u>	<u>2,730,719</u>
Capital assets, being depreciated:					
Buildings	30,350,056	-	-	-	30,350,056
Infrastructure	11,575,075	-	-	-	11,575,075
Machinery and equipment	<u>17,357,638</u>	<u>1,158,615</u>	<u>(643,056)</u>	<u>-</u>	<u>17,873,197</u>
Total capital assets being depreciated	<u>59,282,769</u>	<u>1,158,615</u>	<u>(643,056)</u>	<u>-</u>	<u>59,798,328</u>
Less accumulated depreciation:					
Buildings	(13,142,566)	(943,581)	-	-	(14,086,147)
Infrastructure	(10,008,471)	(257,524)	-	-	(10,265,995)
Machinery and equipment	<u>(12,378,127)</u>	<u>(1,142,888)</u>	<u>450,682</u>	<u>-</u>	<u>(13,070,333)</u>
Total accumulated depreciation	<u>(35,529,164)</u>	<u>(2,343,993)</u>	<u>450,682</u>	<u>-</u>	<u>(37,422,475)</u>
Total capital assets being depreciated, net					
	<u>23,753,605</u>	<u>(1,185,378)</u>	<u>(192,374)</u>	<u>-</u>	<u>22,375,853</u>
Governmental activities capital assets, net					
	<u>\$ 26,614,697</u>	<u>\$ (1,034,355)</u>	<u>\$ (473,770)</u>	<u>\$ -</u>	<u>\$ 25,106,572</u>

Depreciation expense for the year totaled \$2,343,993 and was charged to functions of the government-wide statement of activities as follows:

General government	\$ 615,533
Judicial	25,315
Public safety and corrections	1,073,549
Infrastructure and environmental	627,487
Community services	<u>2,109</u>
Total depreciation expense	<u>\$ 2,343,993</u>

E. Operating Leases

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2016, lease expenditures totaled \$2,125,793. These expenditures were offset by guaranteed buy-back provisions set forth in the original lease agreements in the amount of \$1,869,000. The net cost to the County for these operating leases for the year-ended September 30, 2016 was \$257,793. 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>
2017	\$ 1,986,230	\$ 1,752,000
2018	28,121	-
Total	<u>\$ 2,014,351</u>	<u>\$ 1,752,000</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	\$ 632,390
Less: accumulated depreciation	(189,889)
Total	<u>\$ 442,501</u>

The depreciation expense related to these leases for the year ended September 30, 2016, was \$59,510.

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, 2016:

<u>Years Ending September 30,</u>	
2017	\$ 126,797
2018	62,221
2019	42,425
2020	42,425
2021	10,606
Total minimum lease payments	284,474
Less: amount representing interest	(11,960)
Present value of minimum lease payments	<u>\$ 272,514</u>

G. Long-term Debt

During the year ended September 30, 2016, 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	\$ 10,905,000	\$ -	\$(1,410,000)	\$ 9,495,000	\$ 1,455,000
Unlimited tax road bonds	29,163,850	23,645,000	-	52,808,850	-
Tax note	115,000	-	(30,000)	85,000	30,000
Loans payable	4,586,551	-	(348,641)	4,237,910	391,593
Bond premiums	1,979,671	2,755,277	(252,297)	4,482,651	-
Accreted interest on bonds	71,418	52,178	-	123,596	-
Compensated absences	1,722,750	799,644	(1,226,085)	1,296,309	194,446
OPEB obligation	5,295,204	1,087,853	(328,436)	6,054,621	-
Net pension liability	1,996,049	5,911,636	(1,967,255)	5,940,430	-
Capital leases	<u>198,828</u>	<u>200,000</u>	<u>(126,314)</u>	<u>272,514</u>	<u>87,328</u>
Total governmental activities	<u>\$ 56,034,321</u>	<u>\$ 34,451,588</u>	<u>\$(5,689,028)</u>	<u>\$ 84,796,881</u>	<u>\$ 2,158,367</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 for the general obligation bonds outstanding at September 30, 2016, are as follows:

General Obligation Bonds

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	1,605,000	125,625	1,730,625
2021-2022	<u>3,385,000</u>	<u>102,375</u>	<u>3,487,375</u>
Total	<u>\$ 9,495,000</u>	<u>\$ 882,675</u>	<u>\$ 10,377,675</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.

On September 1, 2016, the County issued Unlimited Tax Road Bonds, Series 2016. 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 for all unlimited tax road bonds outstanding at September 30, 2016, are as follows:

Unlimited Tax Road Bonds

Years Ending September 30,	Principal	Interest	Total Requirements
2017	\$ -	\$ 2,127,400	\$ 2,127,400
2018	-	2,218,225	2,218,225
2019	310,142	2,217,325	2,527,467
2020	695,008	2,210,075	2,905,083
2021	792,160	2,196,425	2,988,585
2022-2026	12,416,271	10,695,800	23,112,071
2027-2031	18,625,000	6,523,000	25,148,000
2032-2036	16,685,000	2,205,988	18,890,988
2037-2038	<u>3,725,000</u>	<u>150,500</u>	<u>3,875,500</u>
Total	53,248,581	<u>\$ 30,544,737</u>	<u>\$ 83,793,319</u>
Less: interest accretion on bonds	(439,731)		
	<u>\$ 52,808,850</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 for the Tax Note outstanding at September 30, 2016, are as follows:

Tax Note

Years Ending September 30,	Principal	Interest	Total Requirements
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>\$ 85,000</u>	<u>\$ 1,885</u>	<u>\$ 86,885</u>

On March 9, 2015, the County entered into a Texas Public Property Finance Contractual Obligation, Series 2015 with American National Bank of Texas, whereby the County borrowed \$3,670,000 at an interest rate of 2.25% to fund the purchase of paying contractual obligations to be incurred for the acquisition of personal property for the equipping of the County's 9-1-1 – Emergency Operations Center. Final maturity of the loan is February 15, 2027.

Additional loans were issued in FY 2015 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, 2016, are as follows:

Loans Payable

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 391,593	\$ 95,817	\$ 487,410
2018	399,586	86,428	486,014
2019	407,741	76,843	484,584
2020	415,942	67,062	483,004
2021	429,230	57,023	486,253
2022-2026	1,843,818	141,024	1,984,842
2027	<u>350,000</u>	<u>3,938</u>	<u>353,938</u>
Total	<u>\$ 4,237,910</u>	<u>\$ 528,135</u>	<u>\$ 4,766,045</u>

H. 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.

I. Interfund Transfers

Interfund transfers for the fiscal year ending September 30, 2016, are summarized below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 1,457,126
General	Road and Bridge	5,727
Nonmajor governmental	General	<u>20,780</u>
		<u>\$ 1,483,633</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCERS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCERS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCERS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCERS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCERS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCERS Act. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2015 actuarial valuation.

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	220
Inactive employees entitled to but not yet receiving benefits	284
Active employees	<u>523</u>
	<u><u>1,027</u></u>

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 9.40% and 9.25% in calendar years 2015 and 2016, respectively. The County's contributions to TCDRS for the year ended September 30, 2016, were \$2,065,400, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.1%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2015 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumption was changed for purposes of determining plan liabilities in the 2015 actuarial valuation. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2016 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6% per Cliffwater's 2016 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 67,414,612	\$ 65,418,563	\$ 1,996,049
Changes for the year:			
Service cost	2,644,182	-	2,644,182
Interest on total pension liability ⁽¹⁾	5,436,268	-	5,436,268
Effect of plan changes ⁽²⁾	(581,498)	-	(581,498)
Effect of economic/demographic gains or losses	(1,233,372)	-	(1,233,372)
Effect of assumptions changes or inputs	793,523	-	793,523
Refund of contributions	(390,584)	(390,584)	-
Benefit payments	(3,077,932)	(3,077,932)	-
Administrative expenses	-	(46,996)	46,996
Member contributions	-	1,464,973	(1,464,973)
Net investment income	-	(320,384)	320,384
Employer contributions	-	1,967,251	(1,967,251)
Other ⁽³⁾	-	49,878	(49,878)
Balance at 12/31/2015	<u>\$ 71,005,199</u>	<u>\$ 65,064,769</u>	<u>\$ 5,940,430</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	\$ 80,773,079	\$ 71,005,199	\$ 62,987,494
Fiduciary net position	<u>65,064,768</u>	<u>65,064,769</u>	<u>65,064,768</u>
Net pension liability/(asset)	<u>\$ 15,708,311</u>	<u>\$ 5,940,430</u>	<u>\$ (2,077,274)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the County recognized pension expense of \$1,841,139.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,170,851
Changes in actuarial assumptions	634,819	-
Net difference between projected and actual investment earnings	5,044,902	-
Contributions made subsequent to the measurement date	1,589,453	-
Total	\$ 7,269,174	\$ 1,170,851

\$1,589,453 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2017	\$ 1,154,616
2018	1,154,616
2019	1,154,616
2020	1,045,022

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 2016 were \$269,450. 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 2016 ranges from \$716 to \$1,403 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, 2016, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation.

Annual required contribution	\$ 1,070,337
Interest on net OPEB obligation	238,284
Adjustment to the ARC	(220,768)
Annual OPEB cost	1,087,853
Contributions made	(328,436)
Increase (decrease) in net OPEB obligation	759,417
Net OPEB obligation/(asset), beginning	<u>5,295,204</u>
Net OPEB obligation/(asset), ending	<u>\$ 6,054,621</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2014	\$ 1,004,673	\$ 187,942	18.7%	\$ 4,510,571
9/30/2015	1,054,083	269,450	25.6%	5,295,204
9/30/2016	1,087,853	328,436	30.2%	6,054,621

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$7,620,206, all of which was unfunded. There are no valuation assets available to offset the liabilities of the plan.

<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>
12/31/2014	\$ -	\$ 7,620,206	\$ 7,620,206	- %	\$ 20,264,138	37.60%

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 5.5% after 9 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. Prior Period Adjustment

The County had a prior period adjustment to the government-wide statements for a correction to capital assets and compensated absences. The net effect of these corrections was an increase to beginning net position of \$49,815.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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KAUFMAN COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year Ended December 31	2015	2014
Total Pension Liability		
Service Cost	\$ 2,644,182	\$ 2,762,499
Interest total pension liability	5,436,268	5,087,347
Effect of plan changes	(581,498)	-
Effect of assumption changes or inputs	793,523	-
Effect of economic/demographic (gains) or losses	(1,233,372)	(306,924)
Benefit payments/refunds of contributions	(3,468,516)	(3,101,049)
Net change in total pension liability	3,590,587	4,441,873
Total pension liability - beginning	<u>67,414,612</u>	<u>62,972,739</u>
Total pension liability - ending (a)	<u>\$ 71,005,199</u>	<u>\$ 67,414,612</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 1,967,249	\$ 1,948,436
Member contributions	1,464,973	1,415,395
Investment income net of investment expenses	(320,384)	4,146,388
Benefit payments refunds of contributions	(3,468,516)	(3,101,049)
Administrative expenses	(46,996)	(48,743)
Other	<u>49,878</u>	<u>40,434</u>
Net change in plan fiduciary net position	(353,796)	4,400,861
Plan fiduciary net position - beginning	<u>65,418,563</u>	<u>61,017,702</u>
Plan fiduciary net position - ending (b)	<u>\$ 65,064,767</u>	<u>\$ 65,418,563</u>
Net pension liability - ending (a) - (b)	<u>\$ 5,940,432</u>	<u>\$ 1,996,049</u>
Fiduciary net position as a percentage of total pension liability	91.63%	97.04%
Pensionable covered payroll	\$ 20,928,191	\$ 20,111,254
Net pension liability as a percentage of covered payroll	28.38%	9.93%

Note: This schedule is required to have 10 years of information but the information prior to 2014 is not available.

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

LAST THREE FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 1,943,276	\$ 1,943,276	\$ -	\$ 20,264,138	9.6%
2015	1,948,005	1,948,005	-	20,597,590	9.5%
2016	2,065,400	2,065,400	-	22,246,549	9.3%

Note: This schedule is required to have 10 years of information but the information prior to 2014 is not available.

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Moths and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.2 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Varies by age and service, 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

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, 2016

<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>
12/31/2014	\$ -	\$ 7,620,206	\$ 7,620,206	- %	\$ 20,111,254	37.89%
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%

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 28,769,399	\$ 28,754,971	\$ 28,866,001	\$ 111,030
Mixed beverage taxes	92,820	92,820	142,868	50,048
License and permits	40,100	40,100	52,255	12,155
Fees of office	3,171,605	3,317,476	3,874,485	557,009
Charges for service	488,218	589,767	631,657	41,890
Intergovernmental	3,049,991	3,698,115	3,317,219	(380,896)
Investment income	53,600	53,600	58,512	4,912
Miscellaneous	<u>136,500</u>	<u>162,486</u>	<u>181,910</u>	<u>19,424</u>
Total revenues	<u>35,802,233</u>	<u>36,709,335</u>	<u>37,124,907</u>	<u>415,572</u>
EXPENDITURES				
Current:				
General government	12,582,578	12,842,249	12,751,310	90,939
Public safety	15,457,527	15,834,609	15,630,983	203,626
Judicial	5,641,115	5,683,888	5,522,171	161,717
Community services	373,086	367,857	316,785	51,072
Infrastructure and environmental services	349,672	520,671	406,011	114,660
Health and human services	525,582	462,698	256,464	206,234
Capital outlay	309,445	636,928	635,610	1,318
Debt service:				
Principal	15,153	15,193	15,152	41
Interest and fiscal charges	<u>3,146</u>	<u>3,106</u>	<u>3,145</u>	<u>(39)</u>
Total expenditures	<u>35,257,304</u>	<u>36,367,199</u>	<u>35,537,631</u>	<u>829,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>544,929</u>	<u>342,136</u>	<u>1,587,276</u>	<u>1,245,140</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	50,000	50,000	21,980	(28,020)
Insurance recoveries	30,000	31,545	22,114	(9,431)
Transfers in	22,983	52,983	20,780	(32,203)
Transfers out	(873,773)	(909,500)	(1,462,853)	(553,353)
Issuance of capital lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(770,790)</u>	<u>(774,972)</u>	<u>(1,397,979)</u>	<u>(623,007)</u>
NET CHANGE IN FUND BALANCES	(225,861)	(432,836)	189,297	622,133
FUND BALANCES, BEGINNING	<u>2,226,306</u>	<u>2,226,306</u>	<u>2,226,306</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,000,445</u>	<u>\$ 1,793,470</u>	<u>\$ 2,415,603</u>	<u>\$ 622,133</u>

KAUFMAN COUNTY, TEXAS

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

GENERAL ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,626,757	\$ 5,621,030	\$ 5,552,095	\$(68,935)
Fees of office	2,011,916	2,085,092	2,131,639	46,547
Charges for service	60,000	115,445	118,834	3,389
Intergovernmental	534,700	717,576	777,092	59,516
Investment income	19,605	19,605	16,926	(2,679)
Miscellaneous	1,100	1,100	2,700	1,600
Total revenues	<u>8,254,078</u>	<u>8,559,848</u>	<u>8,599,286</u>	<u>39,438</u>
EXPENDITURES				
Current:				
Infrastructure and environmental	9,770,649	9,607,253	7,127,978	2,479,275
Capital outlay	877,734	898,267	765,971	132,296
Debt service				
Principal	77,405	126,316	126,315	1
Interest and fiscal charges	2,677	8,283	8,281	2
Total expenditures	<u>10,728,465</u>	<u>10,640,119</u>	<u>8,028,545</u>	<u>2,611,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,474,387)</u>	<u>(2,080,271)</u>	<u>570,741</u>	<u>2,651,012</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	62,929	62,929
Transfers in	-	5,727	5,727	-
Issuance of capital lease	-	-	200,000	200,000
Total other financing sources (uses)	<u>-</u>	<u>5,727</u>	<u>268,656</u>	<u>262,929</u>
NET CHANGE IN FUND BALANCES	<u>(2,474,387)</u>	<u>(2,074,544)</u>	<u>839,397</u>	<u>2,913,941</u>
FUND BALANCES, BEGINNING	<u>2,519,810</u>	<u>2,519,810</u>	<u>2,519,810</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 45,423</u>	<u>\$ 445,266</u>	<u>\$ 3,359,207</u>	<u>\$ 2,913,941</u>

KAUFMAN COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

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, 2016

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
ASSETS				
Cash and cash equivalents	\$ 81,581	\$ 65,110	\$ 41,908	\$ 231,515
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	488	-	-	-
Prepaid items	-	-	-	-
Total assets	82,069	65,110	41,908	231,515
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	1,489	9,541
Accrued liabilities	-	-	-	519
Due to other funds	-	-	199	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	1,688	10,060
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	-	-	-	-
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Public safety	82,069	65,110	-	-
Judicial	-	-	40,220	221,455
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	-
Court technology and security	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	82,069	65,110	40,220	221,455
Total liabilities, deferred inflows of resources, and fund balances	\$ 82,069	\$ 65,110	\$ 41,908	\$ 231,515

Special Revenue

Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security	Records Management & Preservation
\$ 52	\$ 157,029	\$ 19,206	\$ 280,683	\$ 1,883	\$ 151,935	\$ 64,058
-	-	-	-	-	-	-
8,673	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,725</u>	<u>157,029</u>	<u>19,206</u>	<u>280,683</u>	<u>1,883</u>	<u>151,935</u>	<u>64,058</u>
-	26,225	-	1,437	-	35,699	22,580
-	23,886	-	1,792	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>50,111</u>	-	<u>3,229</u>	-	<u>35,699</u>	<u>22,580</u>
<u>8,673</u>	-	-	-	-	-	-
<u>8,673</u>	-	-	-	-	-	-
-	-	-	-	-	-	-
-	106,918	-	-	-	-	-
-	-	19,206	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,883	-	-
-	-	-	277,454	-	-	41,478
-	-	-	-	-	116,236	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
52	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>52</u>	<u>106,918</u>	<u>19,206</u>	<u>277,454</u>	<u>1,883</u>	<u>116,236</u>	<u>41,478</u>
<u>\$ 8,725</u>	<u>\$ 157,029</u>	<u>\$ 19,206</u>	<u>\$ 280,683</u>	<u>\$ 1,883</u>	<u>\$ 151,935</u>	<u>\$ 64,058</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue			
	District Clerk Records Management & Preservation	Fire Code	CCL Diversion Court	422nd Diversion Court
ASSETS				
Cash and cash equivalents	\$ 35,063	\$ 152,383	\$ 49,016	\$ 39,001
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	1,553	1,553
Prepaid items	-	-	-	-
Total assets	<u>35,063</u>	<u>152,383</u>	<u>50,569</u>	<u>40,554</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	1,341	1,000
Accrued liabilities	-	214	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>214</u>	<u>1,341</u>	<u>1,000</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Judicial	-	-	49,228	39,554
Fire code enforcement	-	152,169	-	-
Historical preservation	-	-	-	-
Records management and preservation	35,063	-	-	-
Court technology and security	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>35,063</u>	<u>152,169</u>	<u>49,228</u>	<u>39,554</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,063</u>	<u>\$ 152,383</u>	<u>\$ 50,569</u>	<u>\$ 40,554</u>

Special Revenue

Star Program	Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ -	\$ 6,015	\$ 36,260	\$ 10,396	\$ 111	\$ 27,043	\$ 15,183	\$ 1,963
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>6,015</u>	<u>36,260</u>	<u>10,396</u>	<u>111</u>	<u>27,043</u>	<u>15,183</u>	<u>1,963</u>
-	-	1,759	-	-	-	208	-
-	-	-	-	-	-	-	-
-	-	-	12,875	100	1,071	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>1,759</u>	<u>12,875</u>	<u>100</u>	<u>1,071</u>	<u>208</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	6,015	-	-	-	-	-	1,963
-	-	-	(2,479)	-	-	-	-
-	-	-	-	-	25,972	14,975	-
-	-	-	-	-	-	-	-
-	-	34,501	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	11	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>6,015</u>	<u>34,501</u>	<u>(2,479)</u>	<u>11</u>	<u>25,972</u>	<u>14,975</u>	<u>1,963</u>
<u>\$ -</u>	<u>\$ 6,015</u>	<u>\$ 36,260</u>	<u>\$ 10,396</u>	<u>\$ 111</u>	<u>\$ 27,043</u>	<u>\$ 15,183</u>	<u>\$ 1,963</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue			
	LEOSE Training	County & District Court Technology	JP Technology	Records Archive
ASSETS				
Cash and cash equivalents	\$ 23,261	\$ 2,211	\$ 224,512	\$ 187,542
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	<u>2,383</u>	<u>-</u>	<u>-</u>	<u>850</u>
Total assets	<u>25,644</u>	<u>2,211</u>	<u>224,512</u>	<u>188,392</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	596	-
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>596</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	2,383	-	-	850
Restricted for:				
Public safety	23,261	-	-	-
Judicial	-	-	-	-
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	187,542
Court technology and security	-	2,211	223,916	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>25,644</u>	<u>2,211</u>	<u>223,916</u>	<u>188,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,644</u>	<u>\$ 2,211</u>	<u>\$ 224,512</u>	<u>\$ 188,392</u>

Special Revenue

SCAAP Grant	Water Mitigation Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	Capital Murder Grant	Bulletproof Vest Grant	CETZRZ Grant
\$ 63,762	\$ -	\$ 10,240	\$ 3,757	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	27,395	-	-	111,000	-	-
-	14,814	-	-	234,217	-	1,000
-	-	-	-	-	-	-
<u>63,762</u>	<u>42,209</u>	<u>10,240</u>	<u>3,757</u>	<u>345,217</u>	<u>-</u>	<u>1,000</u>
1,541	-	-	2,216	-	-	-
-	-	-	-	-	-	-
-	32,501	-	-	345,217	-	1,000
<u>62,389</u>	<u>-</u>	<u>-</u>	<u>1,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>63,930</u>	<u>32,501</u>	<u>-</u>	<u>3,756</u>	<u>345,217</u>	<u>-</u>	<u>1,000</u>
-	17,689	-	-	111,000	-	-
-	17,689	-	-	111,000	-	-
-	-	-	-	-	-	-
-	-	-	1	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue		
	Defense Expense Grant	Enhancement Grant	Debt Service
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 164,302
Receivables:			
Taxes	-	-	136,985
Due from other governments	9,665	5,625	-
Due from other funds	228,056	-	-
Prepaid items	-	-	-
Total assets	237,721	5,625	301,287
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	1,363	-
Accrued liabilities	-	-	-
Due to other funds	228,056	5,625	5,050
Deferred revenue	-	-	-
Total liabilities	228,056	6,988	5,050
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	9,665	-	119,322
Total deferred outflows	9,665	-	119,322
FUND BALANCES			
Nonspendable - prepaid items	-	-	-
Restricted for:			
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Capital projects	-	-	-
Debt service	-	-	176,915
Other purposes	-	-	-
Unassigned	-	(1,363)	-
Total fund balances	-	(1,363)	176,915
Total liabilities, deferred inflows of resources, and fund balances	\$ 237,721	\$ 5,625	\$ 301,287

Capital Projects

<u>Radio Bond</u>	<u>Transportation Improvements</u>	<u>9-1-1 Call Center</u>	<u>Total Other Governmental Funds</u>
\$ 101,433	\$ -	\$ 85,582	\$ 2,333,996
-	-	-	136,985
-	-	-	162,358
-	-	-	481,681
-	-	-	3,233
<u>101,433</u>	<u>-</u>	<u>85,582</u>	<u>3,118,253</u>
-	-	11,177	118,172
-	-	-	26,411
-	-	-	631,694
-	-	-	63,929
<u>-</u>	<u>-</u>	<u>11,177</u>	<u>840,206</u>
-	-	-	266,349
<u>-</u>	<u>-</u>	<u>-</u>	<u>266,349</u>
-	-	-	3,233
101,433	-	-	386,770
-	-	-	367,184
-	-	-	152,169
-	-	-	42,830
-	-	-	541,537
-	-	-	376,864
-	-	74,405	74,405
-	-	-	176,915
-	-	-	10,303
-	-	-	(120,512)
<u>101,433</u>	<u>-</u>	<u>74,405</u>	<u>2,011,698</u>
<u>\$ 101,433</u>	<u>\$ -</u>	<u>\$ 85,582</u>	<u>\$ 3,118,253</u>

KAUFMAN COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	-	-	66,827
Forfeitures	-	88,163	44,106	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	862
Miscellaneous	32,890	-	-	67
Total revenues	32,890	88,163	44,106	67,756
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	51,671	95,758	-	-
Judicial	-	-	57,853	88,461
Infrastructure and environmental	-	-	-	-
Capital outlay	17,363	-	1,616	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	69,034	95,758	59,469	88,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,144)	(7,595)	(15,363)	(20,705)
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(36,144)	(7,595)	(15,363)	(20,705)
FUND BALANCES, BEGINNING	118,213	72,705	55,583	242,160
FUND BALANCES, ENDING	\$ 82,069	\$ 65,110	\$ 40,220	\$ 221,455

Special Revenue

Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security	Records Management and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	9,549	326,615	-	63,796	30,782
-	-	-	-	-	-	-
16,942	492,782	-	-	-	-	-
26	595	-	1,233	-	457	184
-	-	-	-	1,160	-	-
<u>16,968</u>	<u>493,377</u>	<u>9,549</u>	<u>327,848</u>	<u>1,160</u>	<u>64,253</u>	<u>30,966</u>
25,616	-	-	342,960	-	-	22,580
-	1,015,720	-	-	-	-	-
-	-	9,095	-	-	49,180	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>25,616</u>	<u>1,015,720</u>	<u>9,095</u>	<u>342,960</u>	<u>-</u>	<u>49,180</u>	<u>22,580</u>
(8,648)	(522,343)	454	(15,112)	1,160	15,073	8,386
-	-	-	-	-	-	-
-	2,911	-	-	-	-	-
-	536,438	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>539,349</u>	-	-	-	-	-
(8,648)	17,006	454	(15,112)	1,160	15,073	8,386
<u>8,700</u>	<u>89,912</u>	<u>18,752</u>	<u>292,566</u>	<u>723</u>	<u>101,163</u>	<u>33,092</u>
<u>\$ 52</u>	<u>\$ 106,918</u>	<u>\$ 19,206</u>	<u>\$ 277,454</u>	<u>\$ 1,883</u>	<u>\$ 116,236</u>	<u>\$ 41,478</u>

KAUFMAN COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue			
	District Clerk Records Management and Preservation	Fire Code	CCL Diversion Court	422nd Diversion Court
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	64,629	-	-
Fees of office	29,198	-	-	-
Forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	76	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>29,274</u>	<u>64,629</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	-	4,676	-	12,517
Judicial	-	-	7,588	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	6,637	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>-</u>	<u>11,313</u>	<u>7,588</u>	<u>12,517</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>29,274</u>	<u>53,316</u>	<u>(7,588)</u>	<u>(12,517)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	7,633	7,633
Transfers out	-	(17,600)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(17,600)</u>	<u>7,633</u>	<u>7,633</u>
NET CHANGE IN FUND BALANCES	29,274	35,716	45	(4,884)
FUND BALANCES, BEGINNING	<u>5,789</u>	<u>116,453</u>	<u>49,183</u>	<u>44,438</u>
FUND BALANCES, ENDING	<u>\$ 35,063</u>	<u>\$ 152,169</u>	<u>\$ 49,228</u>	<u>\$ 39,554</u>

Special Revenue

Star Program	Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	7,534	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21	-	49	-	91	46	-
-	-	-	2,395	-	20	-	-
<u>-</u>	<u>21</u>	<u>7,534</u>	<u>2,444</u>	<u>-</u>	<u>111</u>	<u>46</u>	<u>-</u>
-	-	-	-	-	157	1,541	-
-	-	-	-	-	-	-	-
-	-	14,351	70,754	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>14,351</u>	<u>70,754</u>	<u>-</u>	<u>157</u>	<u>1,541</u>	<u>-</u>
-	21	(6,817)	(68,310)	-	(46)	(1,495)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	64,500	-	6,800	6,800	-
(403)	-	-	-	-	(2,777)	-	-
<u>(403)</u>	<u>-</u>	<u>-</u>	<u>64,500</u>	<u>-</u>	<u>4,023</u>	<u>6,800</u>	<u>-</u>
(403)	21	(6,817)	(3,810)	-	3,977	5,305	-
<u>403</u>	<u>5,994</u>	<u>41,318</u>	<u>1,331</u>	<u>11</u>	<u>21,995</u>	<u>9,670</u>	<u>1,963</u>
<u>\$ -</u>	<u>\$ 6,015</u>	<u>\$ 34,501</u>	<u>\$ (2,479)</u>	<u>\$ 11</u>	<u>\$ 25,972</u>	<u>\$ 14,975</u>	<u>\$ 1,963</u>

KAUFMAN COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue			
	LEOSE Training	County & District Court Technology	JP Technology	Records Archive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	4,149	30,762	256,800
Forfeitures	-	-	-	-
Intergovernmental	19,029	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>19,029</u>	<u>4,149</u>	<u>30,762</u>	<u>256,800</u>
EXPENDITURES				
General government	-	6,776	-	594,616
Public safety and corrections	11,281	-	-	-
Judicial	-	-	2,351	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	6,350	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>11,281</u>	<u>6,776</u>	<u>8,701</u>	<u>594,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,748</u>	<u>(2,627)</u>	<u>22,061</u>	<u>(337,816)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	7,748	(2,627)	22,061	(337,816)
FUND BALANCES, BEGINNING	<u>17,896</u>	<u>4,838</u>	<u>201,855</u>	<u>526,208</u>
FUND BALANCES, ENDING	<u>\$ 25,644</u>	<u>\$ 2,211</u>	<u>\$ 223,916</u>	<u>\$ 188,392</u>

Special Revenue

SCAAP Grant	Water Mitigation Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	Capital Murder Grant	Bulletproof Vest Grant	CETZR Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,413	-	3,172	47,580	123,314	-	141,917
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,413</u>	<u>-</u>	<u>3,172</u>	<u>47,580</u>	<u>123,314</u>	<u>-</u>	<u>141,917</u>
-	-	1,062	-	-	-	-
20,413	-	-	47,579	-	-	-
-	-	-	-	302,317	-	-
-	-	-	-	-	-	141,917
-	22,795	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,413</u>	<u>22,795</u>	<u>1,062</u>	<u>47,579</u>	<u>302,317</u>	<u>-</u>	<u>141,917</u>
-	(22,795)	2,110	1	(179,003)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	14,814	-	-	234,217	-	1,000
-	-	-	-	-	-	-
-	<u>14,814</u>	<u>-</u>	<u>-</u>	<u>234,217</u>	<u>-</u>	<u>1,000</u>
-	(7,981)	2,110	1	55,214	-	1,000
(168)	-	8,130	-	(166,214)	-	(1,000)
<u>\$(168)</u>	<u>\$(7,981)</u>	<u>\$ 10,240</u>	<u>\$ 1</u>	<u>\$(111,000)</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, 2016

	Special Revenue		
	Defense Expense Grant	Enhancement Grant	Debt Service
REVENUES			
Property taxes	\$ -	\$ -	\$ 3,241,611
License and permits	-	-	-
Fees of office	-	-	-
Forfeitures	-	-	-
Intergovernmental	319,926	29,097	-
Investment income	-	-	2,253
Miscellaneous	-	-	-
Total revenues	319,926	29,097	3,243,864
EXPENDITURES			
General government	-	-	-
Public safety and corrections	-	-	-
Judicial	285,439	29,950	-
Infrastructure and environmental	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	1,773,488
Interest and fiscal charges	-	-	1,776,724
Bond issuance costs	-	-	-
Total expenditures	285,439	29,950	3,550,212
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34,487	(853)	(306,348)
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	2,365
Sale of capital assets	-	-	-
Transfers in	228,056	-	349,235
Transfers out	-	-	-
Total other financing sources (uses)	228,056	-	351,600
NET CHANGE IN FUND BALANCES	262,543	(853)	45,252
FUND BALANCES, BEGINNING	(262,543)	(510)	131,663
FUND BALANCES, ENDING	\$ -	\$(1,363)	\$ 176,915

Capital Projects

<u>Radio Bond</u>	<u>Transportation Improvements</u>	<u>9-1-1 Call Center</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 3,241,611
-	-	-	64,629
-	-	-	826,012
-	-	-	132,269
-	-	-	1,214,172
3,492	-	-	9,385
-	-	-	<u>36,532</u>
<u>3,492</u>	<u>-</u>	<u>-</u>	<u>5,524,610</u>
-	15,500	-	1,010,808
-	-	449	1,260,064
-	-	-	917,339
-	-	-	141,917
1,543,334	130,284	97,255	1,825,634
-	-	-	1,773,488
350	-	-	1,777,074
-	-	-	<u>-</u>
<u>1,543,684</u>	<u>145,784</u>	<u>97,704</u>	<u>8,706,324</u>
<u>(1,540,192)</u>	<u>(145,784)</u>	<u>(97,704)</u>	<u>(3,181,714)</u>
-	-	-	2,365
-	-	-	2,911
-	-	-	1,457,126
-	-	-	<u>(20,780)</u>
-	-	-	<u>1,441,622</u>
<u>(1,540,192)</u>	<u>(145,784)</u>	<u>(97,704)</u>	<u>(1,740,092)</u>
<u>1,641,625</u>	<u>145,784</u>	<u>172,109</u>	<u>3,751,790</u>
<u>\$ 101,433</u>	<u>\$ -</u>	<u>\$ 74,405</u>	<u>\$ 2,011,698</u>

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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,245,189	\$ 3,244,014	\$ 3,241,611	\$ (2,403)
Investment income	2,700	2,700	2,253	(447)
Total revenues	<u>3,247,889</u>	<u>3,246,714</u>	<u>3,243,864</u>	<u>(2,850)</u>
EXPENDITURES				
Debt service				
Principal	1,773,489	1,773,489	1,773,488	1
Interest and fiscal charges	<u>1,775,983</u>	<u>1,776,948</u>	<u>1,776,724</u>	<u>224</u>
Total expenditures	<u>3,549,472</u>	<u>3,550,437</u>	<u>3,550,212</u>	<u>225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(301,583)</u>	<u>(303,723)</u>	<u>(306,348)</u>	<u>(2,625)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	2,365	2,365
Transfers in	<u>349,235</u>	<u>349,235</u>	<u>349,235</u>	<u>-</u>
Total other financing sources (uses)	<u>349,235</u>	<u>349,235</u>	<u>351,600</u>	<u>2,365</u>
NET CHANGE IN FUND BALANCES	47,652	45,512	45,252	(260)
FUND BALANCES, BEGINNING	<u>131,663</u>	<u>131,663</u>	<u>131,663</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 179,315</u>	<u>\$ 177,175</u>	<u>\$ 176,915</u>	<u>\$ (260)</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2016

	Agency Funds				
	Childrens' Shelter	Adult Probation	Tax Assessor Collector	Employee Savings	JP Offices
ASSETS					
Cash and cash equivalents	\$(18,254)	\$ 983,307	\$ 1,445,572	\$ 327,576	\$ 177,125
Total assets	(18,254)	983,307	1,445,572	327,576	177,125
LIABILITIES AND FUND BALANCES					
Due to others	(18,254)	983,307	1,445,572	327,576	177,125
Total liabilities	\$(18,254)	\$ 983,307	\$ 1,445,572	\$ 327,576	\$ 177,125

Agency Funds

District Clerk	County Clerk	County District Attorney	Sherriff Office	Total Agency Funds
\$ 1,982,358	\$ 534,027	\$ 115,728	\$ 353,901	\$ 5,901,340
<u>1,982,358</u>	<u>534,027</u>	<u>115,728</u>	<u>353,901</u>	<u>5,901,340</u>
<u>1,982,358</u>	<u>534,027</u>	<u>115,728</u>	<u>353,901</u>	<u>5,901,340</u>
<u>\$ 1,982,358</u>	<u>\$ 534,027</u>	<u>\$ 115,728</u>	<u>\$ 353,901</u>	<u>\$ 5,901,340</u>

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COMPLIANCE SECTION

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PATTILLO, 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 County Judge and
Members of the Commissioners' Court
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, 2016, 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 9, 2017.

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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 9, 2017



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge and
Members of the 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, 2016. 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 and the *State of Texas Uniform Grant Management 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, 2016.

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 as a basis for designing 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 9, 2017

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Program Title	Grantor's Number	Expenditures	Pass through Expenditures
STATE AWARDS			
<u>Texas Department of Agriculture</u>			
Kaufman County CHOMP Grant	CHOMP-16-02	\$ 13,480	\$ -
Total Texas Department of Agriculture		<u>13,480</u>	<u>-</u>
<u>Texas Department of Transportation</u>			
County Entergy Transportation Reinvestment Zones (CETRZ)	N/A	141,917	-
Total Texas Department of Transportation		<u>141,917</u>	<u>-</u>
<u>Texas Indigent Defense Commission</u>			
Indigent Defense - Formula Grant	221-15-129	107,533	-
Extraordinary Disbursement - Defense Expense Grant	N/A	259,665	-
Indigent Defense - Discretionary Grant	212-35-D07	14,020	-
Total Texas Indigent Defense Commission		<u>381,218</u>	<u>-</u>
<u>Office of the Attorney General</u>			
Victim Coordinator Liaison Grant (VCLG)	1662105	42,000	-
Automated Victim Notification Service (SAVNS) Grant	1555044	14,046	14,046
Total Office of the Attorney General		<u>56,046</u>	<u>14,046</u>
<u>Texas Commission on Environmental Quality</u>			
Local Initiatives Projects	582-14-40123	47,579	-
AirCheck (LIRAP)	582-12-20285	275,136	275,136
Total direct programs		<u>322,715</u>	<u>275,136</u>
Total Texas Commission on Environmental Quality		<u>322,715</u>	<u>275,136</u>
<u>Office of the Governor, Criminal Justice Division</u>			
Enhancement Project	SF15S802819201	29,097	-
County Essentials Program - Capital Murder Grant FY 15-16	CE15C412740902	71,273	-
County Essentials Program - Capital Murder Grant FY 15-16	CE15C412740902	111,000	-
Total Office of the Governor, Criminal Justice Division		<u>211,370</u>	<u>-</u>
Total Expenditures of State Awards		\$ <u>1,126,746</u>	\$ <u>289,182</u>

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

SEPTEMBER 30, 2016

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, 2016. 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.

Note 3 – Indirect Costs

The County has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

KAUFMAN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None reported
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
AirCheck (LIRAP)
Extraordinary Disbursement - Defense Expense Grant

Dollar threshold used to distinguish between type A and type B programs	750,000
Auditee qualified as low-risk auditee?	No

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

None

Findings and Questioned Costs for State Awards

None

KAUFMAN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2016

None noted.