

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2013

Commissioners' Court:

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

Justices of the Peace:

Precinct #1	Mr. Johnny Perry
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. Joe Don Law
Precinct #3	Mr. Keith Stephens
Precinct #4	Mr. Bryant Morris

86th Judicial District of the State of Texas:

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

KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2013

422nd Judicial District of the State of Texas:

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

Officials of Kaufman County:

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report of 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 as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the Schedules of Funding Progress for the retirement plan for the employees of Kaufman County, Texas and the post-retirement health care benefit plan 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 Kaufman County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 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 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 6, 2014, on our consideration of Kaufman County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kaufman County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
June 6, 2014

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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, 2013. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please consider the information presented here, in conjunction with the financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the year by \$15,882,958 (net position). The balance of unrestricted net position at year-end was \$509,033 .
- Total net position increased by \$663,776 due primarily to a gain of \$922,016 resulting from the County being released from a legal judgment.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$7,476,380, an increase of \$1,900,340 from the previous year. The fund balance in the General Fund of \$1,791,162 is available for spending at the County's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road and Bridge Fund and the Debt Service 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, Road and Bridge, and Debt Service Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with those budgets.

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

GOVERNMENT-WIDE FIANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of Kaufman County, assets exceeded liabilities by \$15,882,958 as of September 30, 2013.

The County's investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is 59% 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 \$842,694 (net) while current and other assets increased \$1,977,947 . Cash and investment balances increased \$2,087,165, primarily due to the County's monitoring of expenses and conservative budgeting. Long-term liabilities decreased from the prior year by \$506,744. The predominant reason for the change in the liabilities is an increase in the OPEB liability of \$787,933, and payments on outstanding debt of \$2,556,708. Additionally, the County issued \$1,490,000 in Series 2013 Tax Notes, used a line of credit to purchase vehicles in the amount of \$226,509, and also entered into a loan agreement with the Texas Department of Transportation in the amount of \$1,000,000.

Governmental activities. Governmental activities increased the County's net position by \$663,776. The increase from the prior year is due primarily to the \$301,183 decrease in County expenditures, an increase in overall revenues of \$380,389 due primarily to increased charges for services, and an increase due to a gain of \$922,016 resulting from the County being released from a legal judgment.

Table – 1
Kaufman County, Texas' Net Position

	Governmental Activities	
	2013	2012
Current and other assets	\$ 13,701,468	\$ 11,723,521
Capital assets	25,351,363	26,194,057
Total assets	<u>39,052,831</u>	<u>37,917,578</u>
Long-term liabilities	20,512,111	21,018,855
Other liabilities	2,557,762	2,221,282
Total liabilities	<u>23,069,873</u>	<u>23,240,137</u>
Net position		
Net investment in capital assets	9,427,340	10,419,312
Restricted	5,946,585	4,751,582
Unrestricted	<u>509,033</u>	<u>(493,453)</u>
Total net position	<u>\$ 15,882,958</u>	<u>\$ 14,677,441</u>

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

	Governmental Activities	
	2013	2012
REVENUES		
General revenues:		
Property taxes	\$ 32,774,053	\$ 32,891,734
Charges for services	7,053,075	6,513,526
Grants and contributions	1,914,732	1,997,475
Investment income	112,871	99,236
Miscellaneous	94,334	261,973
Total revenues	<u>42,144,333</u>	<u>41,763,944</u>
EXPENSES		
General government	12,156,629	11,657,082
Public safety and corrections	17,302,705	17,413,864
Judicial	5,313,239	5,452,962
Infrastructure and environmental services	6,399,566	6,703,347
Health and human services	440,727	484,678
Interest and fiscal charges	422,999	592,417
Community service	366,708	399,406
Total expenses	<u>42,402,573</u>	<u>42,703,756</u>
Extraordinary item	<u>922,016</u>	<u>-</u>
CHANGE IN NET POSITION	663,776	(939,812)
NET POSITION, BEGINNING	<u>14,677,441</u>	<u>16,864,198</u>
PRIOR PERIOD ADJUSTMENT	541,741	(1,246,945)
NET POSITION, BEGINNING, RESTATED	<u>15,219,182</u>	<u>15,617,253</u>
NET POSITION, ENDING	<u>\$ 15,882,958</u>	<u>\$ 14,677,441</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 \$1,791,162. 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 \$653,836 during the fiscal year. Expenditures exceeded revenues for the year by \$756,949, so the primary reason for the overall increase in fund balance was the issuance of long-term debt in the amount of \$1,716,509.

The General Road and Bridge Fund had an ending fund balance of \$1,469,014. 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 \$214,468. This increase was due to revenue exceeding total expenditures by \$55,659 and due to transfers in of \$158,809.

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 \$2,057,942 under budget in expenditures through cost cutting measures.
- The County was under budget with revenues. Revenues collected were \$1,066,823 less 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 \$25,351,363 (net of accumulated depreciation), a decrease of \$842,694 from the prior year. The decrease primarily results from depreciation recorded during the year, offset somewhat by various purchases and disposals of assets in the ordinary course of operations. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, roads, bridges and office furniture and equipment.

Table 3
Kaufman County, Texas' Capital Assets

	Governmental Activities	
	2013	2012
Land	\$ 1,281,406	\$ 1,281,406
Construction in progress	432,615	23,564
Public monuments	712,736	712,736
Buildings and improvements	27,809,751	27,710,751
Infrastructure	11,575,075	11,575,075
Machinery and equipment	15,452,439	15,781,285
	57,264,022	57,084,817
Less: accumulated depreciation	<u>(31,912,659)</u>	<u>(30,890,760)</u>
Total capital assets, net	<u>\$ 25,351,363</u>	<u>\$ 26,194,057</u>

Long-term Debt. At the end of the fiscal year, the County had total debt outstanding of \$20,512,111 which is an decrease of \$527,651,398 from the prior year. In January of 2014, the County was informed its debt rating received a two-notch upgrade to A+ by Standard and Poors.

Table 4
Kaufman County, Texas' Outstanding Debt

	Governmental Activities	
	2013	2012
Certificates of obligation	\$ 12,270,000	\$ 13,585,000
Bond pemiums	403,387	448,208
Deferred loss on refunding	(308,687)	(342,985)
Tax Note	1,490,000	375,000
Loans Payable	1,226,509	-
Compensated absences	894,248	1,416,187
Capital leases	842,814	1,709,522
OPEB	3,693,840	2,905,907
Legal accrual	-	922,016
Total Outstanding Debt	\$ <u>20,512,111</u>	\$ <u>21,018,855</u>

State statutes limit the amount of general obligation debt that a county may issue to 10% of its total assessed valuation. The current debt limit for Kaufman County is \$527,651,398 which is significantly in excess of the County's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- In December 2007, the County entered an interlocal agreement with the City of Terrell, Texas, to participate in a newly created Tax Increment Financing Reinvestment Zone ("TIF"). In order to encourage accelerated development and redevelopment of the TIF properties, the County agreed to dedicate 50% of the General Fund tax revenues attributable to the future increases in taxable value of such properties for a period not to exceed 30 years. The TIF funds will be used to provide funds for public infrastructure. The TIF agreement had an immaterial effect on the 2013 financial statements, and the effect for 2014 will not be material. However, as with the Terrell TIF, the financial commitment of the County will become significant if the expected development and redevelopment occur as anticipated.
- During the 2010 year, the County entered into a separate agreement with the City of Forney to participate in its TIF as well, utilizing the same funding structure as the Terrell TIF noted above. There was no effect on the 2013 financial statements, and the effect for 2014 will not be material. However, as with the Terrell TIF, the financial commitment of the County will become significant if the expected development and redevelopment occur as anticipated.
- Estimated revenue for fiscal year 2014 is \$34,421,380 for the General Fund and estimated expenditures are \$34,421,380. The total tax rate remained the same, at \$.5565 per \$100.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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KAUFMAN COUNTY, TEXAS

STATEMENT OF NET POSITIOIN

SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,445,674
Taxes receivable, net of allowance for uncollectibles	2,072,167
Accounts receivable	1,579,661
Due from other governments	361,358
Deferred charges	242,608
Capital assets, net:	
Not subject to depreciation	2,426,757
Subject to depreciation	<u>22,924,606</u>
Total assets	<u>39,052,831</u>
LIABILITIES	
Accounts payable	1,551,197
Accrued liabilities	531,679
Due to other governments	278,873
Unearned revenue	118,527
Accrued interest	77,486
Loan payable	100,000
Long-term liabilities:	
Due within one year	2,267,755
Due in more than one year	<u>18,244,356</u>
Total liabilities	<u>23,169,873</u>
NET POSITION	
Net investment in capital assets	9,427,340
Restricted:	
Road and bridge projects	1,680,870
Public safety	262,009
Judicial	991,360
Library services	23,136
Fire code enforcement	146,585
Historical preservation	24,801
Records management	896,489
Capital projects	1,730,822
Debt service	178,946
Other purposes	11,567
Unrestricted	<u>509,033</u>
Total net position	<u>\$ 15,882,958</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, 2013

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	\$ 12,156,629	\$ 3,638,184	\$ 209,103	\$ -	\$(8,309,342)
Public safety and corrections	17,302,705	967,969	606,803	60,164	(15,667,769)
Judicial	5,313,239	2,109,832	244,559	74,228	(2,884,620)
Community services	366,708	-	67,944	11,835	(286,929)
Infrastructure and environmental	6,399,566	337,090	394,071	246,025	(5,422,380)
Health and human services	440,727	-	-	-	(440,727)
Interest and fiscal charges	422,999	-	-	-	(422,999)
Total governmental activities	<u>42,402,573</u>	<u>7,053,075</u>	<u>1,522,480</u>	<u>392,252</u>	<u>(33,434,766)</u>
Total primary government	<u>\$ 42,402,573</u>	<u>\$ 7,053,075</u>	<u>\$ 1,522,480</u>	<u>\$ 392,252</u>	<u>(33,434,766)</u>
General revenues:					
Property taxes					32,774,053
Investment income					112,871
Gain on disposal of capital assets					195,268
Miscellaneous					<u>94,334</u>
Total general revenues					<u>33,176,526</u>
Extraordinary Item - gain on extinguishment of debt					922,016
Change in net position					663,776
Net position, beginning					<u>14,677,441</u>
Net position, prior period adjustment					541,741
Net position, beginning, restated					<u>15,219,182</u>
Net position, ending					<u>\$ 15,882,958</u>

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

KAUFMAN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General</u>	<u>General Road and Bridge</u>	<u>Debt Service</u>
ASSETS			
Cash and cash equivalents	\$ 3,269,034	\$ 1,681,501	\$ 118,302
Receivables:			
Taxes	1,703,137	230,900	138,130
Accounts	1,565,903	50	-
Due from other governments	201,022	44,055	-
Due from other funds	<u>66,750</u>	<u>-</u>	<u>-</u>
 Total assets	 \$ <u>6,805,846</u>	 \$ <u>1,956,506</u>	 \$ <u>256,432</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,116,091	218,686	-
Accrued liabilities	460,660	56,950	-
Due to other governments	278,356	-	-
Due to other funds	2,558	-	-
Loan payable	100,000	-	-
Deferred revenue	<u>3,057,019</u>	<u>211,856</u>	<u>126,829</u>
Total liabilities	<u>5,014,684</u>	<u>487,492</u>	<u>126,829</u>
 Fund balances:			
Restricted	-	1,469,014	129,603
Unassigned	<u>1,791,162</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,791,162</u>	<u>1,469,014</u>	<u>129,603</u>
 Total liabilities and fund balances	 \$ <u>6,805,846</u>	 \$ <u>1,956,506</u>	 \$ <u>256,432</u>

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

Other Nonmajor Governmental	Total Governmental Funds
\$ 4,370,337	\$ 9,439,174
-	2,072,167
13,708	1,579,661
116,281	361,358
<u>42,895</u>	<u>109,645</u>
\$ <u>4,543,221</u>	\$ <u>13,562,005</u>
216,420	1,551,197
14,069	531,679
517	278,873
107,087	109,645
-	100,000
<u>118,527</u>	<u>3,514,231</u>
<u>456,620</u>	<u>6,085,625</u>
4,086,769	5,685,386
(168)	<u>1,790,994</u>
<u>4,086,601</u>	<u>7,476,380</u>
\$ <u>4,543,221</u>	\$ <u>13,562,005</u>

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KAUFMAN COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Fund balances - governmental funds \$ 7,476,380

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Governmental capital assets	\$ 27,686,028	
Less: accumulated depreciation	(2,334,665)	25,351,363

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	1,863,419	
Court fines	<u>1,532,285</u>	
		3,395,704

Net other post employment benefits obligation in governmental activities does not require current financial resources and therefore are not reported in the governmental funds balance sheet.

(3,693,840)

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 the issuance costs, 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.

(16,575,663)

Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund is included in governmental activities in the statement of net position.

6,500

Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.

(77,486)

Net position of governmental activities

\$ 15,882,958

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

KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	General Road and Bridge	Debt Service
REVENUES			
Property taxes	\$ 27,627,421	\$ 3,235,387	\$ 2,035,354
Mixed beverage taxes	85,763	-	-
License and permits	48,576	-	-
Fees of office	3,466,154	2,051,437	-
Charges for services	216,124	128,785	-
Forfeitures	-	-	-
Intergovernmental	1,060,722	-	-
Investment income	72,167	16,073	16,216
Miscellaneous	91,916	399,964	-
Total revenues	<u>32,668,843</u>	<u>5,831,646</u>	<u>2,051,570</u>
EXPENDITURES			
General government	11,134,899	-	-
Public safety and corrections	14,825,808	-	-
Judicial	4,914,916	-	-
Community services	356,624	-	-
Infrastructure and environmental	376,413	5,188,836	-
Health and human service	430,874	-	-
Capital outlay	835,818	265,899	-
Debt service:			
Principal	457,315	282,477	1,690,000
Interest and fiscal charges	93,125	38,775	401,927
Total expenditures	<u>33,425,792</u>	<u>5,775,987</u>	<u>2,091,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(756,949)</u>	<u>55,659</u>	<u>(40,357)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	1,716,509	-	-
Sale of capital assets	98,784	158,809	-
Operating transfers in	165,736	-	48,700
Operating transfers out	(570,244)	-	-
Total other financing sources (uses)	<u>1,410,785</u>	<u>158,809</u>	<u>48,700</u>
NET CHANGE IN FUND BALANCES	653,836	214,468	8,343
FUND BALANCES, BEGINNING	<u>1,137,326</u>	<u>1,254,546</u>	<u>121,260</u>
FUND BALANCES, ENDING	<u>\$ 1,791,162</u>	<u>\$ 1,469,014</u>	<u>\$ 129,603</u>

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

Other Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 32,898,162
-	85,763
39,930	88,506
583,685	6,101,276
-	344,909
69,459	69,459
873,119	1,933,841
8,415	112,871
5,690	497,570
<u>1,580,298</u>	<u>42,132,357</u>
159,759	11,294,658
1,078,732	15,904,540
263,713	5,178,629
-	356,624
87,777	5,653,026
-	430,874
473,216	1,574,933
-	2,429,792
-	533,827
<u>2,063,197</u>	<u>43,356,903</u>
(482,899)	(1,224,546)
1,000,000	2,716,509
1,814	259,407
521,544	735,980
(16,766)	(587,010)
<u>1,506,592</u>	<u>3,124,886</u>
1,023,693	1,900,340
<u>3,062,908</u>	<u>5,576,040</u>
\$ <u>4,086,601</u>	\$ <u>7,476,380</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, 2013

Net change in fund balances - total governmental funds: \$ 1,900,340

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

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

Expenditures for capital assets	\$ 1,556,110	
Less: current year depreciation	(2,334,665)	(778,555)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (64,139)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(209,872)	
Court fines	<u>26,580</u>	(183,292)

Bad debt expense reported in the statement of activities as a result of the full accrual method of accounting is not reported as an expenditure in governmental funds. -

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. (176,234)

Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. (148,970)

Gain resulting from the County's release from legal judgment that was recorded as an expense in the Statement of Activities in prior periods. The effect of this transaction is 922,016

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.

Compensated absences	(19,802)	
OPEB obligation	<u>(787,933)</u>	(807,735)

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. 345

Change in net position of governmental activities \$ 663,776

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

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KAUFMAN COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2013

	<u>Governmental Activities Internal Service</u>
ASSETS	
Current assets:	
Cash	\$ <u>6,500</u>
Total assets	<u>6,500</u>
LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u>6,500</u>
Total net assets	\$ <u><u>6,500</u></u>

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

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KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	Governmental Activities Internal Service
	<u> </u>
OPERATING REVENUES	\$ <u> - </u>
OPERATING EXPENSES	<u> -</u>
INCOME BEFORE TRANSFERS	<u> -</u>
Transfers out	<u>(148,970)</u>
CHANGE IN NET POSITION	(148,970)
NET POSITION, BEGINNING	<u> 155,470</u>
NET POSITION, ENDING	\$ <u> 6,500</u>

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

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KAUFMAN COUNTY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	\$ <u>-</u>
Net cash used by operating activities	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(<u>148,970</u>)
NET DECREASE IN CASH	(<u>148,970</u>)
CASH, BEGINNING	<u>155,470</u>
CASH, ENDING	\$ <u><u>6,500</u></u>
RECONCILIATION OF OPERATING INCOME TO	
 NET CASH USED BY OPERATING ACTIVITIES	\$ <u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>-</u>

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

KAUFMAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2013

	<u>Governmental Activities Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ <u>4,790,195</u>
Total assets	\$ <u><u>4,790,195</u></u>
LIABILITIES	
Due to others	<u>4,790,195</u>
Total liabilities	\$ <u><u>4,790,195</u></u>

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

KAUFMAN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Major governmental funds reported by the County are:

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

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

Debt Service Fund – The Debt Service Fund accounts for resources used to pay for debt.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

D. Assets, Liabilities, and Net Position or Equity

Encumbrances

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

Cash and Investments

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

All investments of the County are made pursuant to the Texas Public Funds Investment Act. Investments at September 30, 2013, are stated at fair market value in accordance with provisions of GASB Statement No. 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools,”* and consist of obligations that are fully insured by the State of Texas.

Prepaid Items

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

Capital Assets

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

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

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

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

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

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

Items Capitalized but not Depreciated

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

Compensated Absences

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

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

Long-term Obligations

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

Property Taxes

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

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

The combined tax rate for the year ended September 30, 2013, was \$.5565 per \$100 and was allocated as follows:

General fund	\$ 0.4675
Debt service fund	0.0345
Road and bridge funds	<u>0.0545</u>
Total	<u>\$ 0.5565</u>

Fund Balance Classification

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

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

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

Net Position

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. 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, 2013, 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 Risk</u>
TexPool Prime	\$ <u>31</u>	38	AAAm
Portfolio weighted average maturity	\$ <u><u>31</u></u>	38	

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, 2013, the County is fully collateralized.

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

B. Receivables

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

	<u>General</u>	<u>General Road and Bridge</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,889,581	\$ 256,556	\$ 153,478	\$ -	\$ 2,299,615
Accounts	33,618	50	-	13,708	47,376
Adjudicated fine receivable	15,322,846	-	-	-	15,322,846
Due from other governments	<u>201,022</u>	<u>44,055</u>	<u>-</u>	<u>116,281</u>	<u>361,358</u>
Gross receivables	17,447,067	300,661	153,478	129,989	18,031,195
Less: allowance for uncollectibles	<u>(13,977,005)</u>	<u>(25,656)</u>	<u>(15,348)</u>	<u>-</u>	<u>(14,018,009)</u>
Net total receivables	<u>\$ 3,470,062</u>	<u>\$ 275,005</u>	<u>\$ 138,130</u>	<u>\$ 129,989</u>	<u>\$ 4,013,186</u>

Governmental funds report *deferred revenue* in connection with receivables for that revenue is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

<u>Receivable Fund</u>	<u>Unavailable</u>	<u>Unearned</u>
General		
Delinquent property tax receivable	\$ 1,524,734	\$ -
Fines	<u>1,532,285</u>	<u>-</u>
Total General	<u>3,057,019</u>	<u>-</u>
General Road and Bridge		
Delinquent property tax receivable	<u>211,856</u>	<u>-</u>
Total General Road and Bridge	<u>211,856</u>	<u>-</u>
Debt Service		
Delinquent property tax receivable	<u>126,829</u>	<u>-</u>
Total Debt Service	<u>126,829</u>	<u>-</u>
Other governmental		
Grants	<u>-</u>	<u>118,527</u>
Total other governmental	<u>-</u>	<u>118,527</u>
Totals	<u>\$ 3,395,704</u>	<u>\$ 118,527</u>

C. Capital Assets

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

Capital asset activity for the year ended September 30, 2013, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Reclassifications/ Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,281,406	\$ -	\$ -	\$ -	\$ 1,281,406
Construction in progress	23,564	432,615	-	(23,564)	432,615
Public monuments	712,736	-	-	-	712,736
Total assets not being depreciated	<u>2,017,706</u>	<u>432,615</u>	<u>-</u>	<u>(23,564)</u>	<u>2,426,757</u>
Capital assets, being depreciated:					
Buildings	27,710,751	99,000	-	-	27,809,751
Infrastructure	11,575,075	-	-	-	11,575,075
Machinery and equipment	15,781,285	1,024,495	(1,376,905)	23,564	15,452,439
Total capital assets being depreciated	<u>55,067,111</u>	<u>1,123,495</u>	<u>(1,376,905)</u>	<u>23,564</u>	<u>54,837,265</u>
Less accumulated depreciation:					
Buildings	10,738,299	800,903	-	-	11,539,202
Infrastructure	9,236,700	258,129	-	-	9,494,829
Machinery and equipment	10,915,761	1,275,633	(1,312,766)	-	10,878,628
Total accumulated depreciation	<u>30,890,760</u>	<u>2,334,665</u>	<u>(1,312,766)</u>	<u>-</u>	<u>31,912,659</u>
Total capital assets being depreciated, net	<u>24,176,351</u>	<u>(1,211,170)</u>	<u>(64,139)</u>	<u>23,564</u>	<u>22,924,606</u>
Governmental activities capital assets, net	<u>\$ 26,194,057</u>	<u>\$ (778,555)</u>	<u>\$ (64,139)</u>	<u>\$ -</u>	<u>\$ 25,351,363</u>

Depreciation expense for the year totaled \$2,334,665 and was charged to functions of the government-wide statement of activities as follows:

General government	\$ 613,025
Judicial	25,484
Public safety and corrections	1,069,255
Infrastructure and environmental	624,894
Community services	<u>2,007</u>
Total depreciation expense	<u>\$ 2,334,665</u>

D. Operating Leases

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2013, lease expenditures totaled \$45,301. Future minimum operating lease commitments are as follows:

<u>Years Ending September 30,</u>	
2014	\$ 105,325
2015	<u>943,922</u>
Total	<u>\$ 1,049,247</u>

E. Lease Obligations

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

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 3,208,057
Less: accumulated depreciation	<u>(1,978,942)</u>
Total	<u>\$ 1,229,115</u>

Depreciation expense related to these leases for the year ended September 30, 2013, was \$465,544.

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, 2013:

<u>Years Ending September 30,</u>	
2014	\$ 652,355
2015	143,013
2016	<u>89,346</u>
Total minimum lease payments	884,714
Less: amount representing interest	<u>(41,900)</u>
Present value of minimum lease payments	<u>\$ 842,814</u>

F. Short-term Debt

In January 2014, the North Central Texas Council of Governments (NCTCOG) provided the County with a \$100,000 loan in order to fund the development of a bond program for the County. The balance of the loan including \$911 in interest is due December 15, 2013. A summary of the County's short-term borrowings at September 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Loan payable - NCTCOG	\$ -	\$ 100,000	\$ -	\$ 100,000
Total governmental activities	\$ -	\$ 100,000	\$ -	\$ 100,000

G. Long-term Debt

During the year ended September 30, 2013, the following changes occurred in a long-term debt:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds	13,585,000	-	(1,315,000)	-	12,270,000	-
Tax note	375,000	1,490,000	(375,000)	-	1,490,000	1,345,000
Loans	-	1,226,509	-	-	1,226,509	164,882
Bond premiums	448,208	-	(44,821)	-	403,387	-
Deferred loss on refunding	(342,985)	-	34,298	-	(308,687)	-
Compensated absences	1,416,187	961,940	(942,138)	(541,741)	894,248	141,321
OPEB obligation	2,905,907	787,933	-	-	3,693,840	-
Capital leases	1,709,522	-	(866,708)	-	842,814	616,552
Legal accrual	922,016	-	(922,016)	-	-	-
Total governmental activities	\$ 21,018,855	\$ 4,466,382	\$ (4,431,385)	\$ (541,741)	\$ 20,512,111	\$ 2,267,755

On June 28, 2012, the County issued \$13,585,000 of general obligation refunding bonds in order to refund previously issued debt. The annual requirements to amortize the general obligation bonds outstanding at September 30, 2013, are as follows:

General Obligation Bonds

Years Ending September 30,	Principal	Interest	Total Requirements
2014	\$ -	\$ 368,100	\$ 368,100
2015	1,365,000	347,625	1,712,625
2016	1,410,000	306,000	1,716,000
2017	1,455,000	263,025	1,718,025
2018	1,500,000	218,700	1,718,700
2019-2023	6,540,000	400,950	6,940,950
Total	\$ 12,270,000	\$ 1,904,400	\$ 14,174,400

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

Years Ending September 30,	Tax Note		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 1,345,000	\$ 17,984	\$ 1,362,984
2015	30,000	1,840	31,840
2016	30,000	1,465	31,465
2017	30,000	1,060	31,060
2018	30,000	625	30,625
2019	<u>25,000</u>	<u>200</u>	<u>25,200</u>
Total	<u>\$ 1,490,000</u>	<u>\$ 23,174</u>	<u>\$ 1,513,174</u>

On October 1, 2012, the County entered into a State Infrastructure Bank loan agreement with the Texas Department of Transportation, whereby the County borrowed \$1,000,000 at an interest rate of 2.64% to fund the purchase of right-of-way for ongoing road construction projects. Final maturity of the loan is October 1, 2022. The annual requirements to amortize the loans payable at September 30, 2013, are as follows:

Years Ending September 30,	Loans Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 164,882	\$ 28,791	\$ 193,673
2015	166,578	27,094	193,672
2016	170,436	23,158	193,594
2017	95,957	19,130	115,087
2018	98,490	16,597	115,087
2019-2022	<u>530,166</u>	<u>42,580</u>	<u>572,746</u>
Total	<u>\$ 1,226,509</u>	<u>\$ 157,350</u>	<u>\$ 1,383,859</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, 2013, are summarized below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 521,544
	Debt service	48,700
Nonmajor governmental	General	16,766
Internal service	General	<u>148,970</u>
		<u>\$ 735,980</u>

J. Fund Balance

As of September 30, 2013, restricted governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General Road and Bridge</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Totals</u>
Restricted:				
Road and bridge construction and repairs	\$ 1,469,014	\$ -	\$ -	\$ 1,469,014
Debt service	-	129,603	-	129,603
Capital acquisition and construction	-	-	1,730,822	1,730,822
Public safety	-	-	262,009	262,009
Judicial	-	-	991,360	991,360
Library services	-	-	23,136	23,136
Fire code enforcement	-	-	146,585	146,585
Historical preservation	-	-	24,801	24,801
Records management and preservation	-	-	896,489	896,489
Other	-	-	11,567	11,567
Total governmental fund balance	<u>\$ 1,469,014</u>	<u>\$ 129,603</u>	<u>\$ 4,086,769</u>	<u>\$ 5,685,386</u>

K. Extraordinary Item

In prior years, an accrual of \$922,016 was made in the Statement of Activities for a legal judgment that was believed that the County would be liable to pay. In fiscal year 2013, this case came to a conclusion when the Texas Supreme Court refused to hear the case. The gain resulting from the removal of the judgment liability is recorded in the Statement of Activities at September 30, 2013. This is recorded as an extraordinary item because it is unusual, infrequent, and outside of the control of the County's management.

IV. OTHER INFORMATION

A. Pension Plan

Plan Description

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

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

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

Funding Policy

The employer has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.43% for the months of the accounting year 2012, and 8.94% for the months of the accounting year 2013.

The deposit rate payable by the employee members for calendar years 2012 and 2013 is the rate of 7.0% as adopted by the governing body of the employer within the options available in the TCDRS Act.

Funding Status and Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 38,434,384	\$ 45,464,955	\$ 7,030,571	84.54%	\$ 20,404,120	34.46%

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

Annual Pension Cost

For the employer's accounting year ending September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$1,886,814, and the actual contributions were \$1,886,814.

Actuarial Valuation Information

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010 and December 31, 2011, the basis for determining the contribution rates for fiscal year 2012. The December 31, 2012, actuarial valuation is the most recent valuation. Information in regards to actuarial information is as follows:

Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	20 years; closed period	20 years; closed period	20 years; closed period
Amortization period for new gains/losses	20 years	20 years	20 years
Asset valuation method			
Subdivision Accumulation Fund	10-yr. smoothed value	10-yr. smoothed value	10-yr. smoothed value
Employee Savings Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment rate of return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

Trend Information

<u>Plan/ Calendar Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	\$ 1,654,223	\$ 1,654,223	100.00%	\$ -
9/30/2012	1,778,729	1,778,729	100.00%	-
9/30/2013	1,886,814	1,886,814	100.00%	-

B. Other Postemployment Benefits

Program Description

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

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

Funding Policy

The County contributions to the Retiree Health Program consist of a pay-as-you-go monthly contribution rate of one-half (1/2) of the cost of health insurance per participant for those that retire with 10 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 2013 were \$185,228. 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 2013 ranges from \$326.90 to \$1,148.42 for health insurance depending on gender and age. Retirees and current employees with 10 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, 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$ 963,548
Interest on net OPEB obligation	130,766
Adjustment to the ARC	(121,153)
Annual OPEB cost	973,161
Contributions made	(185,228)
Increase (decrease) in net OPEB obligation	787,933
Net OPEB obligation/(asset), beginning	<u>2,905,907</u>
Net OPEB obligation/(asset), ending	<u>\$ 3,693,840</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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>
9/30/2013	<u>\$ 973,161</u>	<u>\$ 185,228</u>	19.0%	<u>\$ 3,693,840</u>

Funded Status and Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$ -	\$ 6,724,843	\$ 6,724,843	- %	\$ 20,229,439	33.24%

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%
Projected salary increases	3.75% to 17%
General inflation rate	3%
Health care cost trend rate	Inflation rate of 9% declining to an ultimate rate of 4.5% 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. Subsequent Event

On February 10, 2014, the County issued \$29,163,850.40 in Unlimited Tax Road Bonds, Series 2014. These bonds have interest rates ranging from 5.0% - 4.125% and have a final maturity on February 15, 2034. The proceeds of the bonds will be used to fund County road projects.

E. Prior Period Adjustments

The statement of activities had adjustments to beginning net position. A summary of these differences is noted below:

Compensated absences adjustment	\$ 541,741
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**REQUIRED
SUPPLEMENTARY INFORMATION**

KAUFMAN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 38,434,384	\$ 45,464,955	\$ 7,030,571	84.54%	\$ 20,404,120	34.46%
12/31/2011	37,593,445	43,702,385	6,108,940	86.02%	19,104,033	31.98%
12/31/2010	34,669,779	40,162,404	5,492,625	86.32%	20,684,283	26.55%

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, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ -	\$ 6,724,843	\$ 6,724,843	- %	\$ 20,229,439	33.24%
12/31/2010	-	5,365,354	5,365,354	- %	20,684,283	25.94%
12/31/2008	-	6,000,769	6,000,769	- %	20,331,014	29.52%

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KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 27,897,700	\$ 27,858,336	\$ 27,627,421	\$(230,915)
Mixed beverage taxes	84,500	84,500	85,763	1,263
License and permits	45,950	51,030	48,576	(2,454)
Fees of office	3,715,619	3,790,169	3,466,154	(324,015)
Charges for service	229,280	229,280	216,124	(13,156)
Intergovernmental	2,245,614	1,453,112	1,060,722	(392,390)
Investment income	65,350	65,350	72,167	6,817
Miscellaneous	192,534	203,889	91,916	(111,973)
Total revenues	<u>34,476,547</u>	<u>33,735,666</u>	<u>32,668,843</u>	<u>(1,066,823)</u>
EXPENDITURES				
Current:				
General government	12,889,688	11,317,582	11,134,899	182,683
Public safety	14,904,001	15,115,072	14,825,808	289,264
Judicial	5,071,842	5,155,803	4,914,916	240,887
Community services	347,884	354,745	356,624	(1,879)
Infrastructure and environmental services	384,685	400,176	376,413	23,763
Health and human services	370,849	435,769	430,874	4,895
Capital outlay	218,916	2,153,665	835,818	1,317,847
Debt service:				
Principal	8,000	457,796	457,315	481
Interest and fiscal charges	-	93,126	93,125	1
Total expenditures	<u>34,195,865</u>	<u>35,483,734</u>	<u>33,425,792</u>	<u>2,057,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>280,682</u>	<u>(1,748,068)</u>	<u>(756,949)</u>	<u>991,119</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	1,725,000	1,716,509	(8,491)
Sale of capital assets	-	-	98,784	98,784
Operating transfers in	154,353	154,353	165,736	11,383
Operating transfers out	(517,337)	(521,544)	(570,244)	(48,700)
Total other financing sources (uses)	<u>(362,984)</u>	<u>1,357,809</u>	<u>1,410,785</u>	<u>61,467</u>
NET CHANGE IN FUND BALANCES	<u>(82,302)</u>	<u>(390,259)</u>	<u>653,836</u>	<u>1,044,095</u>
FUND BALANCES, BEGINNING	<u>1,137,326</u>	<u>1,137,326</u>	<u>1,137,326</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,055,024</u>	<u>\$ 747,067</u>	<u>\$ 1,791,162</u>	<u>\$ 1,044,095</u>

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KAUFMAN COUNTY, TEXAS

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

GENERAL ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	\$ 3,422,230	\$ 3,422,030	\$ 3,235,387	\$(186,643)
Fees of office	2,487,000	2,487,000	2,051,437	(435,563)
Charges for service	166,400	166,400	128,785	(37,615)
Investment income	17,400	17,400	16,073	(1,327)
Miscellaneous	4,600	4,600	399,964	395,364
Total revenues	<u>6,097,630</u>	<u>6,097,430</u>	<u>5,831,646</u>	<u>(265,784)</u>
EXPENDITURES				
Current:				
Infrastructure and environmental	7,183,257	7,009,012	5,188,836	1,820,176
Capital outlay	167,767	447,069	265,899	181,170
Debt service				
Principal	297,534	318,270	282,477	35,793
Interest and fiscal charges	-	19,937	38,775	(18,838)
Total expenditures	<u>7,648,558</u>	<u>7,794,288</u>	<u>5,775,987</u>	<u>2,018,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,550,928)</u>	<u>(1,696,858)</u>	<u>55,659</u>	<u>1,752,517</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,000	152,930	158,809	5,879
Total other financing sources (uses)	<u>7,000</u>	<u>152,930</u>	<u>158,809</u>	<u>5,879</u>
NET CHANGE IN FUND BALANCES	<u>(1,543,928)</u>	<u>(1,543,928)</u>	<u>214,468</u>	<u>1,758,396</u>
FUND BALANCES, BEGINNING	<u>1,254,546</u>	<u>1,254,546</u>	<u>1,254,546</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(289,382)</u>	<u>\$(289,382)</u>	<u>\$ 1,469,014</u>	<u>\$ 1,758,396</u>

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KAUFMAN COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

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, 2013

	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures
ASSETS			
Cash and cash equivalents	\$ 49,767	\$ 17,608	\$ 63,671
Investments	-	-	-
Receivables:			
Accounts	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 49,767</u>	<u>\$ 17,608</u>	<u>\$ 63,671</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	2,407
Accrued liabilities	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,407</u>
Fund balances:			
Restricted	49,767	17,608	61,264
Unassigned	-	-	-
Total fund balances	<u>49,767</u>	<u>17,608</u>	<u>61,264</u>
Total liabilities and fund balances	<u>\$ 49,767</u>	<u>\$ 17,608</u>	<u>\$ 63,671</u>

<u>Law Library</u>	<u>Voter Registration</u>	<u>Juvenile Probation</u>	<u>Appellate Justice System</u>	<u>Records Management</u>	<u>Library Memorials</u>	<u>Courthouse Security</u>
\$ 280,410	\$ 8,606	\$ 137,926	\$ 18,869	\$ 385,481	\$ 23,136	\$ 58,316
-	-	-	-	-	-	-
-	-	13,708	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	40,337
<u>\$ 280,410</u>	<u>\$ 8,606</u>	<u>\$ 151,634</u>	<u>\$ 18,869</u>	<u>\$ 385,481</u>	<u>\$ 23,136</u>	<u>\$ 98,653</u>
4,306	-	57,608	-	707	-	8,330
298	-	12,128	-	1,643	-	-
-	-	517	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,604</u>	<u>-</u>	<u>70,253</u>	<u>-</u>	<u>2,350</u>	<u>-</u>	<u>8,330</u>
275,806	8,606	81,381	18,869	383,131	23,136	90,323
-	-	-	-	-	-	-
<u>275,806</u>	<u>8,606</u>	<u>81,381</u>	<u>18,869</u>	<u>383,131</u>	<u>23,136</u>	<u>90,323</u>
<u>\$ 280,410</u>	<u>\$ 8,606</u>	<u>\$ 151,634</u>	<u>\$ 18,869</u>	<u>\$ 385,481</u>	<u>\$ 23,136</u>	<u>\$ 98,653</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Records Management and Preservation	District Clerk Records Management and Preservation	Fire Code	CCL Diversion Court
ASSETS				
Cash and cash equivalents	\$ 388,469	\$ 124,889	\$ 147,778	\$ 39,096
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>388,469</u>	\$ <u>124,889</u>	\$ <u>147,778</u>	\$ <u>39,096</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	1,193	232
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>232</u>
Fund balances:				
Restricted	388,469	124,889	146,585	38,864
Unassigned	-	-	-	-
Total fund balances	<u>388,469</u>	<u>124,889</u>	<u>146,585</u>	<u>38,864</u>
Total liabilities and fund balances	\$ <u>388,469</u>	\$ <u>124,889</u>	\$ <u>147,778</u>	\$ <u>39,096</u>

Star Program	Constable Pct. 4 Forfeitures	Justice Court Building Security	Construction Projects	Texas Water Improvement	Historical Society
\$ 403	\$ 5,926	\$ 47,375	\$ 826,959	\$ 100	\$ 18,603
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	40,196	-
-	-	-	-	-	-
<u>\$ 403</u>	<u>\$ 5,926</u>	<u>\$ 47,375</u>	<u>\$ 826,959</u>	<u>\$ 40,296</u>	<u>\$ 18,603</u>
-	-	6,688	13,207	35,496	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	40,337	-	100	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>47,025</u>	<u>13,207</u>	<u>35,596</u>	<u>-</u>
403	5,926	350	813,752	4,700	18,603
-	-	-	-	-	-
<u>403</u>	<u>5,926</u>	<u>350</u>	<u>813,752</u>	<u>4,700</u>	<u>18,603</u>
<u>\$ 403</u>	<u>\$ 5,926</u>	<u>\$ 47,375</u>	<u>\$ 826,959</u>	<u>\$ 40,296</u>	<u>\$ 18,603</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Farm Museum	Juvenile Case Manager	Lone Star Libraries Grant	2006 JAG Grant
ASSETS				
Cash and cash equivalents	\$ 7,859	\$ 1,963	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,859</u>	<u>\$ 1,963</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,661	-	-	-
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>1,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	6,198	1,963	-	-
Unassigned	-	-	-	-
Total fund balances	<u>6,198</u>	<u>1,963</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,859</u>	<u>\$ 1,963</u>	<u>\$ -</u>	<u>\$ -</u>

<u>LEOSE Training</u>	<u>County & District Court Technology</u>	<u>JP Technology</u>	<u>Records Archive</u>	<u>SCAAP Grant</u>	<u>Transportation Improvements</u>
\$ 15,186	\$ 10,626	\$ 240,636	\$ 346,560	\$ 39,540	\$ 985,760
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,186</u>	<u>10,626</u>	<u>240,636</u>	<u>346,560</u>	<u>39,540</u>	<u>985,760</u>
145	376	98	1,141	-	73,390
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	39,708	-
<u>145</u>	<u>376</u>	<u>98</u>	<u>1,141</u>	<u>39,708</u>	<u>73,390</u>
15,041	10,250	240,538	345,419	-	912,370
-	-	-	-	(168)	-
<u>15,041</u>	<u>10,250</u>	<u>240,538</u>	<u>345,419</u>	<u>(168)</u>	<u>912,370</u>
<u>\$ 15,186</u>	<u>\$ 10,626</u>	<u>\$ 240,636</u>	<u>\$ 346,560</u>	<u>\$ 39,540</u>	<u>\$ 985,760</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	DOJ Taser Grants	Courthouse Security Grant	Water Mitigation Grant	Homeland Security Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Due from other governments	28	-	11,835	12,450
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>28</u>	\$ <u>-</u>	\$ <u>11,835</u>	\$ <u>12,450</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	9,435	-
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	28	-	2,400	12,450
Deferred revenue	-	-	-	-
Total liabilities	<u>28</u>	<u>-</u>	<u>11,835</u>	<u>12,450</u>
Fund balances:				
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>28</u>	\$ <u>-</u>	\$ <u>11,835</u>	\$ <u>12,450</u>

Tax Assessor/ Collector Administration Fees	Air Quality Grant	JAG Grant	Capital Murder Grant	Bulletproof Vest Grant	Total Other Nongovernmental Funds
\$ -	\$ 78,819	\$ -	\$ -	\$ -	\$ 4,370,337
-	-	-	-	-	-
-	-	-	-	-	13,708
-	-	8,175	40,814	2,783	116,281
<u>2,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,895</u>
<u>\$ 2,558</u>	<u>\$ 78,819</u>	<u>\$ 8,175</u>	<u>\$ 40,814</u>	<u>\$ 2,783</u>	<u>\$ 4,543,221</u>
-	-	-	-	-	216,420
-	-	-	-	-	14,069
-	-	-	-	-	517
-	-	8,175	40,814	2,783	107,087
<u>-</u>	<u>78,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,527</u>
<u>-</u>	<u>78,819</u>	<u>8,175</u>	<u>40,814</u>	<u>2,783</u>	<u>456,620</u>
2,558	-	-	-	-	4,086,769
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168)</u>
<u>2,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,086,601</u>
<u>\$ 2,558</u>	<u>\$ 78,819</u>	<u>\$ 8,175</u>	<u>\$ 40,814</u>	<u>\$ 2,783</u>	<u>\$ 4,543,221</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures
REVENUES			
License and permits	\$ -	\$ -	\$ -
Fees of office	-	-	-
Forfeitures	-	26,328	43,131
Intergovernmental	29,786	752	-
Investment income	-	-	543
Miscellaneous	695	-	-
Total revenues	<u>30,481</u>	<u>27,080</u>	<u>43,674</u>
EXPENDITURES			
General government	-	-	-
Public safety and corrections	11,210	79,420	-
Judicial	-	-	45,941
Infrastructure and environmental	-	-	-
Capital outlay	29,786	-	10,350
Total expenditures	<u>40,996</u>	<u>79,420</u>	<u>56,291</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,515)</u>	<u>(52,340)</u>	<u>(12,617)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(10,515)</u>	<u>(52,340)</u>	<u>(12,617)</u>
FUND BALANCES, BEGINNING	<u>60,282</u>	<u>69,948</u>	<u>73,881</u>
FUND BALANCES, ENDING	<u>\$ 49,767</u>	<u>\$ 17,608</u>	<u>\$ 61,264</u>

Law Library	Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
67,503	-	22,199	11,324	179,439	-	64,604
-	-	-	-	-	-	-
-	14,870	403,090	-	-	-	-
1,907	47	-	-	2,236	-	231
130	-	-	-	-	340	-
<u>69,540</u>	<u>14,917</u>	<u>425,289</u>	<u>11,324</u>	<u>181,675</u>	<u>340</u>	<u>64,835</u>
-	11,705	-	-	139,584	-	-
-	-	953,555	-	-	-	-
78,078	-	-	-	-	-	34,913
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>78,078</u>	<u>11,705</u>	<u>953,555</u>	<u>-</u>	<u>139,584</u>	<u>-</u>	<u>34,913</u>
(8,538)	<u>3,212</u>	(528,266)	<u>11,324</u>	<u>42,091</u>	<u>340</u>	<u>29,922</u>
-	-	-	-	-	-	-
-	-	1,814	-	-	-	-
-	-	521,418	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>523,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(8,538)	3,212	(5,034)	11,324	42,091	340	29,922
<u>284,344</u>	<u>5,394</u>	<u>86,415</u>	<u>7,545</u>	<u>341,040</u>	<u>22,796</u>	<u>60,401</u>
\$ <u>275,806</u>	\$ <u>8,606</u>	\$ <u>81,381</u>	\$ <u>18,869</u>	\$ <u>383,131</u>	\$ <u>23,136</u>	\$ <u>90,323</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Records Management and Preservation	District Clerk Records Management and Preservation	Fire Code	CCL Diversion Court
REVENUES				
License and permits	\$ -	\$ -	\$ 39,930	\$ -
Fees of office	35,564	22,915	-	9,094
Forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	2,464	769	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>38,028</u>	<u>23,684</u>	<u>39,930</u>	<u>9,094</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	-	-	5,973	-
Judicial	-	-	-	11,466
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	6,823	-
Total expenditures	<u>-</u>	<u>-</u>	<u>12,796</u>	<u>11,466</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,028</u>	<u>23,684</u>	<u>27,134</u>	<u>(2,372)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	38,028	23,684	27,134	(2,372)
FUND BALANCES, BEGINNING	<u>350,441</u>	<u>101,205</u>	<u>119,451</u>	<u>41,236</u>
FUND BALANCES, ENDING	<u>\$ 388,469</u>	<u>\$ 124,889</u>	<u>\$ 146,585</u>	<u>\$ 38,864</u>

Star Program	Constable Pct. 4 Forfeitures	Justice Court Building Security	Construction Projects	Texas Water Improvement	Historical Society
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	8,257	-	-	4,050
-	-	-	-	-	-
-	-	-	-	246,025	-
-	29	-	7	-	114
-	4,410	-	-	-	30
-	4,439	8,257	7	246,025	4,194
104	1,548	-	-	-	1,521
-	-	-	-	-	-
-	-	18,351	-	-	-
-	-	-	-	-	-
-	-	-	86,419	241,325	-
104	1,548	18,351	86,419	241,325	1,521
(104)	2,891	(10,094)	(86,412)	4,700	2,673
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(104)	2,891	(10,094)	(86,412)	4,700	2,673
507	3,035	10,444	900,164	-	15,930
\$ 403	\$ 5,926	\$ 350	\$ 813,752	\$ 4,700	\$ 18,603

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Farm Museum	Juvenile Case Manager	Lone Star Libraries Grant	2006 JAG Grant
REVENUES				
License and permits	\$ -	\$ -	\$ -	\$ -
Fees of office	-	-	-	-
Forfeitures	-	-	-	-
Intergovernmental	4,050	-	-	-
Investment income	68	-	-	-
Miscellaneous	85	-	-	-
Total revenues	<u>4,203</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General government	2,514	-	-	-
Public safety and corrections	-	-	-	-
Judicial	-	-	-	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(5,440)	-	(22)	(11,304)
Total other financing sources (uses)	<u>(5,440)</u>	<u>-</u>	<u>(22)</u>	<u>(11,304)</u>
NET CHANGE IN FUND BALANCES	(3,751)	-	(22)	(11,304)
FUND BALANCES, BEGINNING	<u>9,949</u>	<u>1,963</u>	<u>22</u>	<u>11,304</u>
FUND BALANCES, ENDING	<u>\$ 6,198</u>	<u>\$ 1,963</u>	<u>\$ -</u>	<u>\$ -</u>

<u>LEOSE Training</u>	<u>County & District Court Technology</u>	<u>JP Technology</u>	<u>Records Archive</u>	<u>SCAAP Grant</u>	<u>Transportation Improvements</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,346	34,921	119,469	-	-
-	-	-	-	-	-
-	-	-	-	3,628	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>4,346</u>	<u>34,921</u>	<u>119,469</u>	<u>3,628</u>	<u>-</u>
-	-	-	-	-	-
2,471	-	-	-	-	-
-	4,079	18,988	7,455	3,628	-
-	-	-	-	-	87,630
-	-	-	-	-	-
<u>2,471</u>	<u>4,079</u>	<u>18,988</u>	<u>7,455</u>	<u>3,628</u>	<u>87,630</u>
(2,471)	267	15,933	112,014	-	(87,630)
-	-	-	-	-	1,000,000
-	-	-	-	-	-
126	-	-	-	-	-
-	-	-	-	-	-
<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
(2,345)	267	15,933	112,014	-	912,370
<u>17,386</u>	<u>9,983</u>	<u>224,605</u>	<u>233,405</u>	<u>(168)</u>	<u>-</u>
<u>\$ 15,041</u>	<u>\$ 10,250</u>	<u>\$ 240,538</u>	<u>\$ 345,419</u>	<u>\$ (168)</u>	<u>\$ 912,370</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	DOJ Taser Grants	Courthouse Security Grant	Water Mitigation Grant	Homeland Security Grant
REVENUES				
License and permits	\$ -	\$ -	\$ -	\$ -
Fees of office	-	-	-	-
Forfeitures	-	-	-	-
Intergovernmental	17,928	74,228	11,835	12,450
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>17,928</u>	<u>74,228</u>	<u>11,835</u>	<u>12,450</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	17,928	-	-	-
Judicial	-	-	-	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	74,228	11,835	12,450
Total expenditures	<u>17,928</u>	<u>74,228</u>	<u>11,835</u>	<u>12,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Tax Assessor/ Collector Administration Fees	Air Quality Grant	JAG Grant	Capital Murder Grant	Bulletproof Vest Grant	Total Other Nongovernmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,930
-	-	-	-	-	583,685
-	-	-	-	-	69,459
2,558	147	8,175	40,814	2,783	873,119
-	-	-	-	-	8,415
-	-	-	-	-	5,690
<u>2,558</u>	<u>147</u>	<u>8,175</u>	<u>40,814</u>	<u>2,783</u>	<u>1,580,298</u>
-	-	-	-	2,783	159,759
-	-	8,175	-	-	1,078,732
-	-	-	40,814	-	263,713
-	147	-	-	-	87,777
-	-	-	-	-	473,216
<u>-</u>	<u>147</u>	<u>8,175</u>	<u>40,814</u>	<u>2,783</u>	<u>2,063,197</u>
<u>2,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(482,899)</u>
-	-	-	-	-	1,000,000
-	-	-	-	-	1,814
-	-	-	-	-	521,544
-	-	-	-	-	(16,766)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,506,592</u>
2,558	-	-	-	-	1,023,693
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,062,908</u>
<u>\$ 2,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,086,601</u>

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**DEBT SERVICE
BUDGET TO ACTUAL**

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KAUFMAN COUNTY, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,042,554	\$ 2,042,554	\$ 2,035,354	\$(7,200)
Investment income	2,500	2,500	16,216	13,716
Total revenues	<u>2,045,054</u>	<u>2,045,054</u>	<u>2,051,570</u>	<u>6,516</u>
EXPENDITURES				
Debt service				
Principal	1,690,000	1,690,000	1,690,000	-
Interest and fiscal charges	<u>399,928</u>	<u>399,928</u>	<u>401,927</u>	<u>(1,999)</u>
Total expenditures	<u>2,089,928</u>	<u>2,089,928</u>	<u>2,091,927</u>	<u>(1,999)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(44,874)</u>	<u>(44,874)</u>	<u>(40,357)</u>	<u>4,517</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	48,700	48,700
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>48,700</u>	<u>48,700</u>
NET CHANGE IN FUND BALANCES	<u>(44,874)</u>	<u>(44,874)</u>	<u>8,343</u>	<u>53,217</u>
FUND BALANCES, BEGINNING	<u>121,260</u>	<u>121,260</u>	<u>121,260</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 76,386</u>	<u>\$ 76,386</u>	<u>\$ 129,603</u>	<u>\$ 53,217</u>

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INTERNAL CONTROLS SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of and for the year ended September 30, 2013, 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 6, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, Items 2013-001 and 2013-002, described in the accompanying Schedule of Findings and Responses to be material weaknesses.

Compliance and Other Matters

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

Kaufman County's Response to Findings

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

Purpose of this Report

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

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

June 6, 2014

KAUFMAN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

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

Item 2013-001:

Accounting for Employee Compensated Absences

Condition:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

KAUFMAN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2013

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

Management's Response:

Management agrees with this finding. Implementation of the new financial software includes a new payroll module. All employees' accrued time will be established and tracked with the use of the new software.

County Auditor will assist in monitoring these hours as a part of the internal audit process.

Human Resources Director would like to meet with department heads to insure we follow the policy adopted by Commissioners' Court. If the policy needs to be changed, then this can be done by amending the current policy.

**Contact Person Responsible
for Corrective Action:**

Human Resources Director
County Auditor – for purposes of internal audits

**Anticipated Completion
Date:**

June 30, 2014

KAUFMAN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

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

Item 2013-002:

Credit Card Policy Compliance

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

Management's Response:

Management agrees with the finding. The County has already implanted the use of the Fuel Man service to purchase fuel. This has greatly reduced the use of individual cards for fuel purchases. The County is also looking into the use of a State purchasing card system. We feel that the use of these new systems will greatly reduce issues involved with purchases on credit cards.

**Contact Person Responsible
for Corrective Action:**

Purchasing Agent
County Auditor

**Anticipated Completion
Date:**

The anticipated completion date will be as soon as the processes and new card implementation can be completed.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Item 2012 – 01:

Credit Card Policy

Condition:

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

Effect:

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

Recommendation:

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

Current Status:

See current finding Item 2013-002.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012 – 2:

Recording of Grant Transactions

Condition:

While performing test work over grants, we noted that there were several instances of the County netting receipts of grant proceeds against the expenses that generated the grant revenue.

Criteria:

Although the effect of netting revenues and expenditures has a zero effect on the changes in fund balances, netting these two items presents reporting issues. Grants generate revenues based upon expenditures. These two items should be shown separately of each other in order to comply with generally accepted accounting principles.

Cause:

Grant expenditures and revenues are being netted together as grant revenues are receipted by the County.

Effect:

Revenues and expenditures are being understated on the general ledger.

Recommendation:

The County needs to book receivables each time a grant request is sent in. This will allow the revenue portion to be booked in the proper line item. By booking a receivable, revenues and expenditures will be shown properly in the general ledger.

Current Status:

This matter has been resolved.

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KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012 – 3:

Accounting for Employee Compensated Absences

Condition:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

We recommend the benefits worksheet be kept in a format that is easy to track and review. The worksheet should go in and lower all employees' hours that are above the County's policy. We also recommend the benefits worksheet be updated on a regular basis and reviewed by Commissioners' Court. With a worksheet that is useable and review of the worksheet by Commissioners' Court, the County's accrual of compensated absences will be more accurate and will follow County policies.

Current Status:

See current finding Item 2013-001.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012 – 4:

Internal Controls Over Payroll

Condition:

Payroll is the single largest expenditure at the County. Currently, this function is being performed by essentially one person. The payroll administrator enters time, prints the checks, signs the checks and distributes the checks. This same person also has the ability to change pay rates within the system without any review. The payroll checks are supposed to be being signed by the County Treasurer and County Auditor. However, the payroll administrator has signature stamps for the Treasurer. She stamps the checks after they are prepared and the Treasurer does not review the checks. Also, the check stamp is kept in an unlocked desk drawer.

Criteria:

Segregation of duties and proper review of payroll greatly reduce the risk of fraud or errors concerning payroll. The County needs to set up a payroll processing policy that incorporates proper controls and review. A change in payroll rates should be entered by someone different than processes the checks. The payroll register should be reviewed by the parties signing the checks prior to the checks being written. Also, if the checks are distributed by hand, someone other than the payroll processor should distribute the checks.

Cause:

There are not enough segregation of duties and internal controls over payroll.

Effect:

The chances of fraud and errors are greatly increased with a lack of segregation of duties and a lack of internal controls.

Recommendation:

The County needs to review the entire payroll internal control structure and improve its processes. The County needs to look at segregating payroll duties when possible. The policy should provide for a thorough review of payroll registers and checks. The checks should not be printed and signed until reviewed by the County Auditor's Office and the County Treasurers office. There should also be better security over the check stamp in the payroll office.

Current Status:

This matter has been resolved.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012 – 5:

County Fines Receivable

Condition:

The County does not have a report showing all fines owed to the County in a ready to run and useable format. The County has considerable amounts of money due in unpaid fines and fees. Because these reports are not periodically run and properly monitored, it is very difficult to know how much is owed to the County and who owes it. There were also amounts on the list that are well passed the time frame of collectability.

Criteria:

The County should have a good working knowledge of the software that processes and tracks fines and fees owed to the County. This amount shows up in the financial statements as a receivable to the County. This report is what is used to accrue the amount owed to the County of the financial statements. This report is also what should be used for collection attempts of outstanding balances owed to the County.

Cause:

The County does not have a procedure in place to capture and review amounts owed to the County. The County also has a lot of uncollectable receivables on the report.

Effect:

Amounts owed to the County are not readily known and the balances continue to be uncollected. There are also large amounts of receivables being tracked that are uncollectable.

Recommendation:

The County should have a written policy over amounts owed to the County and collection of those receipts. The policy should detail what reports should be created and the way they should be run. It should also narrate a process for collecting outstanding fines and fees owed to the County. This policy should also document the County's criteria for writing off old receivables that they deem as uncollectable. The County ultimately provided a working list of monies owed to the County. However, it took a long time to get and had to be run with the assistance of a third party. As the County continues to try and grow revenues, collecting old receivables is a great source to pursue. A process over the receivables will ultimately bring in more revenue to the County.

Current Status:

This matter has been resolved.

KAUFMAN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012 – 6:

Capital Assets

Condition:

The County did not have a complete listing of capital assets during audit fieldwork.

Criteria:

The County should have a complete listing of capital assets. The complete list should have all County assets listed and put into proper asset classes. This is essential as several of these assets are depreciated each year and that expense is recorded in the government-wide statements.

Cause:

The County has recently switched software and is in the process of using the new software to record and classify capital assets. The County does not have a formal process for recording capital assets and maintain the detailed capital asset listing.

Effect:

The amounts listed for capital assets and depreciation were not correct.

Recommendation:

We recommend the County get capital assets in the new software and verify that they are correct and that all assets listed are in service. There should also be a formal process that gets capital assets recorded on the detailed listing. The process should include verification that the asset is either depreciable or nondepreciable. If the asset is depreciable, the process should include making sure the depreciable life follows the capitalization policy adopted by the County. This process can be done once a year and should be reviewed and completed by the time audit fieldwork commences.

Current Status:

This matter has been resolved.

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