

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

**Page
Number**

Directory of Officials	i – ii
------------------------------	--------

FINANCIAL SECTION

Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis	4 – 12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 – 16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	18 – 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	20
Statement of Fiduciary Net Position	21
Notes to Financial Statements.....	22 – 46

KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Page
Number

FINANCIAL SECTION

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System.....	47
Schedule of Employer Contributions – Texas County and District Retirement System.....	48
Notes to Schedule of Employer Contributions	49
Schedule of Funding Progress for Retiree Health Plan For the Employees of Kaufman County, Texas.....	50
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	51
Schedule of Revenues, Expenditures and Changes in Fund Balance of General Road and Bridge Fund – Budget and Actual.....	52
Notes to Required Supplementary Information	53

Combining Statements and Schedules

Combining Balance Sheet.....	54 – 61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62 – 69
Combining Statement of Fiduciary Assets and Liabilities	70 – 71
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	72

KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Page
Number

INTERNAL CONTROLS SECTION

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 <i>Governmental Auditing Standards</i>	73 – 74
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the State of Texas Uniform Grant Management Standards	75 – 76
Schedule of Expenditures of State Awards.....	77
Notes to the Schedule of Expenditures of State Awards	78
Schedule of Findings and Questioned Costs.....	79
Summary Schedule of Prior Audit Findings	80

KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2015

Commissioners' Court:

County Judge	Mr. Bruce Wood
Commissioner of Precinct #1	Mr. Jimmy Vrzalik
Commissioner of Precinct #2	Mr. Williams Phillips
Commissioner of Precinct #3	Mr. Kenneth Schoen
Commissioner of Precinct #4	Mr. Jakie Allen

Justices of the Peace:

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

Constables:

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

86th Judicial District of the State of Texas:

District Judge	Mr. Casey Blair
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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2015

422nd Judicial District of the State of Texas:

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

Officials of Kaufman County:

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System on page 47, the Schedule of Employer Contributions – Texas County and District Retirement System on page 48, the Schedule of Funding Progress for the Retiree Health Plan for the Employees of Kaufman County, Texas on page 50, the Statement of Revenues and Expenditures – Budget and Actual – General Fund on page 51, the Statement of Revenues and Expenditures – Budget and Actual – General Road and Bridge Fund on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

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

Waco, Texas
June 29, 2016

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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, 2015. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please consider the information presented here, in conjunction with the financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the year by \$6,502,476 (net position). The balance of unrestricted net position at year end was \$(13,425,748)
- Total net position decreased by \$5,917,420 due primarily to the \$8,805,538 increase in total expenses.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$24,316,933, a decrease of \$8,039,314 from the previous year.
- The unassigned fund balance in the General Fund of \$1,656,085 is available for spending at the County's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

Required supplementary information. Required supplementary information is in addition to the basic financial statements and accompanying notes and presents budgetary comparison schedules, which includes the original and final amended budget and actual figures, schedule of changes in net pension liability and related ratios, schedule of employer contributions to the Texas County and District Retirement System, and a funding progress schedule for the County's retiree health plan.

GOVERNMENT-WIDE 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,502,476 as of September 30, 2015.

The County's investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is 200% 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 increased \$707,281 (net) while current and other assets decreased \$1,970,009. Cash and investment balances decreased \$4,517,611, primarily due to the County spending approximately \$9.4 million of the 2015 Unlimited Tax Road Bond monies originally issued in fiscal year 2014. Long-term liabilities increased from the prior year by \$5,101,797. The predominant reason for the change in liabilities is the issuance of the Contractual Obligation, Series 2015, an increase in the OPEB liability of \$784,633, and the reporting of a net pension liability of \$1,996,049 with the implementation of GASB Statement No. 68.

Governmental activities. Governmental activities decreased the County's net position by \$5,917,420. The decrease from the prior year is due primarily to the \$8,805,538 increase in County expenses, and increase in overall revenues of \$5,699,940. Also contributing to the decrease in net position is the change in accounting principles caused by the County implementing GASB Statement No. 68 which reduced beginning net position by \$470,995.

Table – 1
Kaufman County, Texas’ Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Current and other assets	\$ 41,272,160	\$ 43,242,169
Capital assets	26,614,697	25,907,416
Total assets	<u>67,886,857</u>	<u>69,149,585</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	240,091	274,389
Deferred outflow of resources related to pensions	2,175,222	-
Total deferred outflows of resources	<u>2,415,313</u>	<u>274,389</u>
LIABILITIES		
Long-term liabilities	56,034,321	50,932,524
Other liabilities	7,519,834	5,600,559
Total liabilities	<u>63,554,155</u>	<u>56,533,083</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	245,539	-
Total deferred outflows of resources	<u>245,539</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	12,995,644	11,889,057
Restricted	6,932,580	5,248,730
Unrestricted	(13,425,748)	(4,246,896)
Total net position	<u>\$ 6,502,476</u>	<u>\$ 12,890,891</u>

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

	Governmental Activities	
	2015	2014
REVENUES		
General revenues:		
Property taxes	\$ 35,586,187	\$ 33,528,405
Charges for services	9,229,117	7,309,266
Grants and contributions	6,540,948	4,341,034
Investment income	209,983	178,240
Miscellaneous	389,718	318,584
Gain on disposal of capital assets	294,793	875,277
Total revenues	<u>52,250,746</u>	<u>46,550,806</u>
EXPENSES		
General government	13,547,822	12,285,456
Public safety and corrections	18,688,878	16,892,691
Judicial	6,572,517	5,888,613
Community service	328,905	300,708
Infrastructure and environmental services	16,868,014	12,242,139
Health and human services	380,566	291,138
Interest and fiscal charges	1,723,892	1,120,039
Bond issuance costs	57,572	341,844
Total expenses	<u>58,168,166</u>	<u>49,362,628</u>
CHANGE IN NET POSITION	<u>(5,917,420)</u>	<u>(2,811,822)</u>
NET POSITION, BEGINNING	12,890,891	15,882,958
CHANGE IN ACCOUNTING PRINCIPLES	<u>(470,995)</u>	<u>(180,245)</u>
NET POSITION, BEGINNING, RESTATED	<u>12,419,896</u>	<u>15,702,713</u>
NET POSITION, ENDING	<u>\$ 6,502,476</u>	<u>\$ 12,890,891</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 \$1,656,085. 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 \$750,348 during the fiscal year. Revenues exceeded expenditures for the year by \$1,570,150.

The General Road and Bridge Fund had an ending fund balance of \$2,519,810. 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 \$329,897. This increase was due to revenue exceeding total expenditures by \$51,647 and due to the sale of capital assets of \$229,056.

The Construction Projects Fund had an ending fund balance of \$15,819,027 which is an decrease of \$9,220,703. This decrease is primarily the result of various projects including the cost of road improvements for roads not owned by the County. The County spent \$9,437,164 in this fund during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Due to the County's lower than desired fund balance at the end of FY 2013, efforts to control funds were implemented. The County stayed \$1,609,209 under budget during FY 2014 and \$1,427,386 under budget in expenditures through cost cutting measures during the current fiscal year.
- Revenues collected were \$47,486 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 \$26,614,697 (net of accumulated depreciation), an increase of \$707,281 from the prior year. The increase primarily resulted from the completion of construction in progress during the year, in combination by various purchases and disposals of assets in the ordinary course of operations. 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	
	2015	2014
Land	\$ 1,866,960	\$ 1,281,406
Construction in progress	281,396	1,680,481
Public monuments	712,736	1,178,391
Buildings and improvements	30,350,056	27,809,751
Infrastructure	11,575,075	11,575,075
Machinery and equipment	<u>17,357,638</u>	<u>16,584,816</u>
	62,143,861	60,109,920
Less: accumulated depreciation	<u>(35,529,164)</u>	<u>(34,202,504)</u>
Total capital assets, net	\$ <u>26,614,697</u>	\$ <u>25,907,416</u>

Long-term Debt. At the end of the fiscal year, the County had total debt outstanding of \$56,034,321 which is an increase of \$3,146,761 from the prior year. In January of 2014, the County was informed its debt rating received a two-notch upgrade to A+ by Standard and Poor's.

Table 4
Kaufman County, Texas' Outstanding Debt

	Governmental Activities	
	2015	2014
General obligation refunding bonds	\$ 10,905,000	\$ 12,270,000
Unlimited tax road bonds	29,163,850	29,163,850
Accreted interest	71,418	21,031
Bond premiums	1,979,671	2,112,172
Tax Note	115,000	145,000
Loans Payable	4,586,551	1,175,426
Compensated absences	1,722,750	1,103,038
Capital leases	198,828	431,436
Net pension liability	1,996,049	1,955,036
Net OPEB obligation	<u>5,295,204</u>	<u>4,510,571</u>
Total Outstanding Debt	\$ <u>56,034,321</u>	\$ <u>52,887,560</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 \$611,846,006 which is significantly in excess of the County's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the County of Kaufman, Texas, and were considered in developing the 2015-2016 fiscal year budgets:

- The unemployment rate for Kaufman County is currently 3.7%, which is a significant decrease from a rate of 5.1% a year ago.
- In 2015, Kaufman County votes approved a \$56 million bond issue of which \$26 million has not been issued. Kaufman County plan on issuing these remaining bonds during the fiscal years 2016-2017.
- The taxable assessed value in property values are still reflecting slight increases and seems to be a current trend in Kaufman County.
- The Kaufman County population is current 114,690 which is a 37% increase of the 2010 census. This information was compiled by the Texas Association of Counties.
- Interest rates are still record low levels throughout the last six years, with a minimal increase beginning to come forth.
- On the expenditures side, increases are expected in health and insurance premiums, as well as pension and other employee benefits costs.
- In the later part of fiscal year 2014, Kaufman County entered into a 5 year contract agreement for the housing of Federal Inmates at the County's Law Enforcement Center. The year 2015 was a full year of this contract which generated additional revenues to allow the payoff to several financing agreements Kaufman County had with governmental financing institutions. Along with purchasing a few new vehicles for Law Enforcement Emergency Management departments, additional equipment and upgrades for the County's Law Enforcement Center.
- In 2015, Kaufman County issued a \$3.67 million bond for the purchase of dispatch telecommunications throughout the County to protect and provide services to Kaufman County citizens.
- In 2016, Kaufman County was a recipient of a grant from NETCOG (North East Texas Council of Governments) for some qualifying dispatch telecommunications equipment. Those funds are now being used to enhance the parking lot, add fencing security and additional equipment for the 911 Regional Call Center.
- Kaufman County management team continues to review ways to cut the costs of expenditures and still provide the best services to our customers, the "Citizens."

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Kaufman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's office, 100 N. Washington, Kaufman, Texas 75142.

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BASIC FINANCIAL STATEMENTS

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KAUFMAN COUNTY, TEXAS**STATEMENT OF NET POSITIOIN****SEPTEMBER 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 30,560,250
Taxes receivable, net of allowance for uncollectibles	1,927,353
Accounts receivable	1,683,988
Due from other governments	6,911,087
Prepaid expenses	189,482
Capital assets:	
Nondepreciable	2,861,092
Depreciable, net	<u>23,753,605</u>
Total assets	<u>67,886,857</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	240,091
Deferred outflow of resources related to pensions	<u>2,175,222</u>
Total deferred outflows of resources	<u>2,415,313</u>
LIABILITIES	
Accounts payable	5,617,850
Accrued liabilities	986,750
Due to other governments	275,905
Unearned revenue	351,066
Accrued interest	288,263
Long-term liabilities:	
Due within one year	2,136,362
Due in more than one year	<u>53,897,959</u>
Total liabilities	<u>63,554,155</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>245,539</u>
Total deferred outflows of resources	<u>245,539</u>
NET POSITION	
Net investment in capital assets	12,995,644
Restricted:	
Road and bridge projects	3,065,782
Public safety	2,126,875
Judicial	367,009
Fire code enforcement	116,453
Historical preservation	32,388
Records management and preservation	857,655
Court technology and security	349,174
Other purposes	17,244
Unrestricted	<u>(13,425,748)</u>
Total net position	<u>\$ 6,502,476</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, 2015

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	\$ 13,547,822	\$ 4,041,698	\$ 290,215	\$ -	\$(9,215,909)
Public safety and corrections	18,688,878	894,044	830,150	143,393	(16,821,291)
Judicial	6,572,517	3,846,883	361,588	-	(2,364,046)
Community services	328,905	-	67,068	-	(261,837)
Infrastructure and environmental	16,868,014	446,492	4,720,620	127,914	(11,572,988)
Health and human services	380,566	-	-	-	(380,566)
Interest and fiscal charges	1,723,892	-	-	-	(1,723,892)
Bond issuance costs	57,572	-	-	-	(57,572)
Total governmental activities	<u>58,168,166</u>	<u>9,229,117</u>	<u>6,269,641</u>	<u>271,307</u>	<u>(42,398,101)</u>
Total primary government	<u>\$ 58,168,166</u>	<u>\$ 9,229,117</u>	<u>\$ 6,269,641</u>	<u>\$ 271,307</u>	<u>(42,398,101)</u>
General revenues:					
Property taxes					35,586,187
Investment income					209,983
Gain on disposal of capital assets					294,793
Miscellaneous					<u>389,718</u>
Total general revenues					<u>36,480,681</u>
Change in net position					(5,917,420)
Net position, beginning					12,890,891
Change in accounting principles					<u>(470,995)</u>
Net position, beginning, restated					<u>12,419,896</u>
Net position, ending					<u>\$ 6,502,476</u>

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

KAUFMAN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General	General Road and Bridge	Construction Projects
ASSETS			
Cash and cash equivalents	\$ 3,696,455	\$ 2,761,582	\$ 19,548,008
Receivables:			
Taxes	1,564,660	229,839	-
Accounts	1,675,870	3,842	-
Due from other governments	389,498	250,123	5,909,481
Due from other funds	489,529	-	117,799
Prepaid items	70,061	-	-
Total assets	<u>7,886,073</u>	<u>3,245,386</u>	<u>25,575,288</u>
LIABILITIES			
Accounts payable	1,174,581	235,339	3,846,780
Accrued liabilities	876,416	90,049	-
Due to other governments	275,905	-	-
Due to other funds	-	-	-
Unearned revenue	280,136	-	-
Total liabilities	<u>2,607,038</u>	<u>325,388</u>	<u>3,846,780</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,052,889	400,188	5,909,481
Total deferred inflows of resources	<u>3,052,889</u>	<u>400,188</u>	<u>5,909,481</u>
FUND BALANCES			
Nonspendable			
Prepaid items	70,061	-	-
Restricted			
Road and bridge projects	-	2,519,810	15,819,027
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Committed			
Debt service	500,000	-	-
Unassigned	1,656,085	-	-
Total fund balances	<u>2,226,146</u>	<u>2,519,810</u>	<u>15,819,027</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,886,073</u>	<u>\$ 3,245,386</u>	<u>\$ 25,575,288</u>

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

Other Nonmajor Governmental	Total Governmental Funds
\$ 4,554,205	\$ 30,560,250
132,854	1,927,353
4,276	1,683,988
361,985	6,911,087
143,393	750,721
400	70,461
<u>5,197,113</u>	<u>41,903,860</u>
361,150	5,617,850
20,285	986,750
-	275,905
750,721	750,721
70,930	351,066
<u>1,203,086</u>	<u>7,982,292</u>
242,077	9,604,635
<u>242,077</u>	<u>9,604,635</u>
400	70,461
145,784	18,484,621
1,992,506	1,992,506
367,009	367,009
116,453	116,453
32,388	32,388
857,655	857,655
349,174	349,174
172,109	172,109
131,663	131,663
17,244	17,244
-	500,000
(430,435)	1,225,650
<u>3,751,950</u>	<u>24,316,933</u>
\$ <u>5,197,113</u>	\$ <u>41,903,860</u>

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KAUFMAN COUNTY, TEXAS

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

SEPTEMBER 30, 2015

Fund balances - governmental funds	\$ 24,316,933
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Governmental capital assets	62,143,861
Less: accumulated depreciation	(35,529,164)
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	1,724,576
Court fines	1,634,938
Interlocal agreements	5,909,481
Grant revenue	335,640
Certain long-term liabilities reported in governmental activities do not require current financial resources and therefore are not reported in the governmental funds balance sheet.	
Net OPEB obligation	(5,295,204)
Net pension liability	(1,996,049)
Compensated absences	(1,722,750)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(47,020,318)
Certain deferred inflows and deferred outflows of resources are only reported in the government-wide financial statements:	
Deferred outflows of resources:	
Related to pensions	2,175,222
Deferred loss on bond refunding	240,091
Deferred inflows of resources:	
Related to pensions	(245,539)
Other assets reported in governmental activities are not current financial resources and therefore are not reported in the funds	119,021
Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	(288,263)
Net position of governmental activities	\$ <u>6,502,476</u>

KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	General Road and Bridge	Construction Projects
REVENUES			
Property taxes	\$ 27,711,259	\$ 4,517,665	\$ -
Mixed beverage taxes	130,011	-	-
License and permits	51,932	-	-
Fees of office	3,296,621	2,166,395	-
Charges for services	496,342	104,754	-
Forfeitures	-	-	-
Intergovernmental	2,857,040	595,767	-
Investment income	56,782	18,457	121,537
Miscellaneous	328,408	7,180	-
Total revenues	<u>34,928,395</u>	<u>7,410,218</u>	<u>121,537</u>
EXPENDITURES			
General government	11,650,961	-	-
Public safety and corrections	14,349,160	-	-
Judicial	5,198,636	-	-
Community services	315,778	-	-
Infrastructure and environmental	415,549	6,326,177	9,258,727
Health and human service	364,471	-	-
Capital outlay	735,112	843,298	178,037
Debt service:			
Principal	315,542	183,357	-
Interest and fiscal charges	13,036	5,739	400
Bond issuance costs	-	-	-
Total expenditures	<u>33,358,245</u>	<u>7,358,571</u>	<u>9,437,164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,570,150</u>	<u>51,647</u>	<u>(9,315,627)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Sale of capital assets	23,939	229,056	-
Insurance recoveries	69,516	-	-
Operating transfers in	69,946	3,046	94,924
Operating transfers out	(983,203)	(52,352)	-
Issuance of capital lease	-	98,500	-
Total other financing sources (uses)	<u>(819,802)</u>	<u>278,250</u>	<u>94,924</u>
NET CHANGE IN FUND BALANCES	750,348	329,897	(9,220,703)
FUND BALANCES, BEGINNING	<u>1,475,798</u>	<u>2,189,913</u>	<u>25,039,730</u>
FUND BALANCES, ENDING	<u>\$ 2,226,146</u>	<u>\$ 2,519,810</u>	<u>\$ 15,819,027</u>

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

Other Nonmajor Governmental	Total Governmental Funds
\$ 3,199,338	\$ 35,428,262
-	130,011
42,975	94,907
771,721	6,234,737
-	601,096
105,641	105,641
1,108,873	4,561,680
13,207	209,983
54,130	389,718
<u>5,295,885</u>	<u>47,756,035</u>
959,443	12,610,404
2,976,541	17,325,701
1,237,643	6,436,279
-	315,778
128,914	16,129,367
-	364,471
1,174,625	2,931,072
1,486,084	1,984,983
1,711,893	1,731,068
57,572	57,572
<u>9,732,715</u>	<u>59,886,695</u>
(4,436,830)	(12,130,660)
3,670,000	3,670,000
335	253,330
-	69,516
1,403,402	1,571,318
(535,763)	(1,571,318)
-	98,500
<u>4,537,974</u>	<u>4,091,346</u>
101,144	(8,039,314)
<u>3,650,806</u>	<u>32,356,247</u>
\$ <u>3,751,950</u>	\$ <u>24,316,933</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, 2015

Net change in fund balances - total governmental funds: \$(8,039,314)

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

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

Expenditures for capital assets	2,898,141
Less: current year depreciation	(2,162,807)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(28,053)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	27,914
Court fines	39,645
Interlocal agreements	3,917,860
Grant revenue	214,499

The issuance of long-term debt (e.g., certificates of obligation, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt is an expenditure in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term liabilities	1,984,983
Issuance of long-term debt	(3,768,500)
Amortization of:	
Deferred loss on bond refunding	(34,298)
Premium on bond issuance	132,501
Prepaid bond insurance	(9,248)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accreted interest	(50,387)
Compensated absences	(619,712)
OPEB obligation	(784,633)
Net pension liability	404,629

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.	(40,640)
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Change in net position of governmental activities	<u><u>\$ (5,917,420)</u></u>
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KAUFMAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2015

	<u>Governmental Activities Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ <u>7,111,949</u>
Total assets	<u>7,111,949</u>
LIABILITIES	
Due to others	<u>7,111,949</u>
Total liabilities	\$ <u>7,111,949</u>

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KAUFMAN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Major governmental funds reported by the County are:

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

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

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

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

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

D. Assets, Liabilities, and Net Position or Equity

Encumbrances

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

Cash and Investments

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

All investments of the County are made pursuant to the Texas Public Funds Investment Act. Investments at September 30, 2015, 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 nonspendable fund balance which indicates they do not represent "available spendable resources."

Capital Assets

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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

Items Capitalized but not Depreciated

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

Compensated Absences

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

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

Long-term Obligations

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

Pensions

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

Property Taxes

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

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

The combined tax rate for the year ended September 30, 2015, was \$.5762 per \$100 and was allocated as follows:

General Fund	\$ 0.4498
Debt Service Fund	0.0524
General Road and Bridge Fund	<u>0.0740</u>
Total	<u>\$ 0.5762</u>

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Deferred losses on debt refundings in the government-wide Statement of Net Position - A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

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

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

	General	General Road and Bridge	Construction Projects	Nonmajor Governmental	Total
Property taxes	\$ 1,395,534	\$ 208,931	\$ -	\$ 120,111	\$ 1,724,576
Court fines and fees receivable	1,634,938	-	-	-	1,634,938
Interlocal agreements	-	-	5,909,481	-	5,909,481
Grant funding	22,417	191,257	-	121,966	335,640
Total	<u>\$ 3,052,889</u>	<u>\$ 400,188</u>	<u>\$ 5,909,481</u>	<u>\$ 242,077</u>	<u>\$ 9,604,635</u>

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
 - During the fiscal year 2015, the County committed \$500,000 for early additional payments on the Regional Call Center Equipment Loan. The county committed these funds per ordinance dated as of July 27, 2015.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by the County Judge, with the assistance of the County Auditor and County Attorney, as needed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted net position, as presented in the government-wide statement of net position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

Estimates

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

New Accounting Principles

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

GASB Statement No. 72, “Fair Value Measurement and Application” – This statement addresses accounting and financial reporting issues related to fair value measures. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. This statement will become effective for the County in fiscal year 2016.

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

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

Change in Accounting Principles

As the result of implementing GASB Statement No. 68, the County has restated the beginning net position, effectively decreasing net position as of October 1, 2014 by \$470,995 for the governmental activities. These decreases result from recognition of the liability from the County's defined benefit pension plan.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2015, the SCAAP Grant fund, Capital Murder Grant, CETRZ Grant, Defense Expense Grant, and Enhancement Grant funds had deficit fund balances of \$168, \$166,214, \$1,000, \$262,543 and \$510 respectively. These deficits occurred because of availability of grant funding or from expenditures exceeding available resources. These deficits will either be resolved in the subsequent year by funding becoming available to the County or by transfers from the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Cash

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

Investments

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

Investments are categorized into these three categories of credit risk:

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

During the year ended September 30, 2015, all of the County's investments were invested with the State of Texas Local Government Investment Pool (TexPool), which is a public funds investment pool created by the Treasurer of the State of Texas. TexPool acts as custodian of investments purchased with local investment funds. TexPool acts as custodian of investments purchased with local investment funds. TexPool investments are stated at amortized cost, which in most cases approximates the market value of the shares.

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
TexPool Prime	\$ <u>344</u>	25	AAAm
Portfolio weighted average maturity	\$ <u><u>344</u></u>	25	

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, 2015, the County is fully collateralized.

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

B. Receivables

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

	<u>General</u>	<u>General Road and Bridge</u>	<u>Construction Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,735,108	\$ 255,377	\$ -	\$ 147,616	\$ 2,138,101
Accounts	40,932	3,842	-	4,276	49,050
Adjudicated fine receivable	16,349,377	-	-	-	16,349,377
Due from other governments	<u>389,498</u>	<u>250,123</u>	<u>5,909,481</u>	<u>361,985</u>	<u>6,911,087</u>
Gross receivables	18,514,915	509,342	5,909,481	513,877	25,447,615
Less: allowance for uncollectibles	<u>(14,884,887)</u>	<u>(25,538)</u>	<u>-</u>	<u>(14,762)</u>	<u>(14,925,187)</u>
Net total receivables	<u>\$ 3,630,028</u>	<u>\$ 483,804</u>	<u>\$ 5,909,481</u>	<u>\$ 499,115</u>	<u>\$ 10,522,428</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor governmental	\$ 489,529
Construction projects	Nonmajor governmental	117,799
Nonmajor governmental	Nonmajor governmental	<u>143,393</u>
Total General		<u>\$ 750,721</u>

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers In/ Transfers Out	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,747,061	\$ 119,899	\$ -	\$ -	\$ 1,866,960
Construction in progress	1,680,481	1,141,220	-	(2,540,305)	281,396
Public monuments	712,736	-	-	-	712,736
Total assets not being depreciated	<u>4,140,278</u>	<u>1,261,119</u>	<u>-</u>	<u>(2,540,305)</u>	<u>2,861,092</u>
Capital assets, being depreciated:					
Buildings	27,809,751	-	-	2,540,305	30,350,056
Infrastructure	11,575,075	-	-	-	11,575,075
Machinery and equipment	16,584,816	1,637,022	(864,200)	-	17,357,638
Total capital assets being depreciated	<u>55,969,642</u>	<u>1,637,022</u>	<u>(864,200)</u>	<u>2,540,305</u>	<u>59,282,769</u>
Less accumulated depreciation:					
Buildings	(12,340,693)	(801,873)	-	-	(13,142,566)
Infrastructure	(9,751,650)	(256,821)	-	-	(10,008,471)
Machinery and equipment	<u>(12,110,161)</u>	<u>(1,104,112)</u>	<u>836,146</u>	<u>-</u>	<u>(12,378,127)</u>
Total accumulated depreciation	<u>(34,202,504)</u>	<u>(2,162,806)</u>	<u>836,146</u>	<u>-</u>	<u>(35,529,164)</u>
Total capital assets being depreciated, net	<u>21,767,138</u>	<u>(525,784)</u>	<u>(28,054)</u>	<u>2,540,305</u>	<u>23,753,605</u>
Governmental activities capital assets, net	<u>\$ 25,907,416</u>	<u>\$ 735,335</u>	<u>\$ (28,054)</u>	<u>\$ -</u>	<u>\$ 26,614,697</u>

Depreciation expense for the year totaled \$2,162,806 and was charged to functions of the government-wide statement of activities as follows:

General government	\$ 567,953
Judicial	23,358
Public safety and corrections	990,565
Infrastructure and environmental	578,983
Community services	<u>1,947</u>
Total depreciation expense	<u>\$ 2,162,806</u>

E. Operating Leases

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2015, lease expenditures totaled \$923,903. These expenditures were offset by guaranteed buy-back provisions set forth in the original lease agreements in the amount of \$802,000. The net cost to the County for these operating leases for the year-ended September 30, 2015 was \$121,903. Future minimum operating lease commitments and guaranteed buy-back provisions are as follows:

<u>Years Ending September 30,</u>	<u>Lease Obligation</u>	<u>Guaranteed Buy-back</u>
2016	\$ 1,241,384	\$ 1,082,000
2017	1,079,020	1,003,000
2018	<u>238,462</u>	<u>215,000</u>
Total	<u>\$ 2,558,866</u>	<u>\$ 2,300,000</u>

F. Capital Leases

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

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 598,435
Less: accumulated depreciation	<u>(211,596)</u>
Total	<u>\$ 386,839</u>

The depreciation expense related to these leases for the year ended September 30, 2015, was \$59,510.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at September 30, 2015:

<u>Years Ending September 30,</u>	
2016	\$ 102,779
2017	84,373
2018	<u>19,797</u>
Total minimum lease payments	206,949
Less: amount representing interest	<u>(8,121)</u>
Present value of minimum lease payments	<u>\$ 198,828</u>

G. Short-term Debt

In October 2014, American National Bank (ANB) provided the County with a \$500,000 line of credit in order to cover year-end cash flow needs for the County. The balance of the loan including \$1,771 in interest was paid in full on December 31, 2014. A summary of the County's short-term borrowings at September 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Loan payable - ANB	\$ -	\$ 500,000	\$ (500,000)	\$ -
Total governmental activities	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (500,000)</u>	<u>\$ -</u>

H. Long-term Debt

During the year ended September 30, 2015, the following changes occurred in a long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation refunding bonds	\$ 12,270,000	\$ -	\$ (1,365,000)	\$ 10,905,000	\$ 1,410,000
Unlimited tax road bonds	29,163,850	-	-	29,163,850	-
Tax note	145,000	-	(30,000)	115,000	30,000
Loans payable	1,175,426	3,670,000	(258,875)	4,586,551	348,641
Bond premiums	2,112,172	-	(132,501)	1,979,671	-
Accreted interest on bonds	21,031	50,387	-	71,418	-
Compensated absences	1,103,038	1,707,380	(1,087,668)	1,722,750	258,413
OPEB obligation	4,510,571	1,054,083	(269,450)	5,295,204	-
Net pension liability	1,955,036	4,441,874	(4,400,861)	1,996,049	-
Capital leases	<u>431,436</u>	<u>98,500</u>	<u>(331,108)</u>	<u>198,828</u>	<u>89,308</u>
Total governmental activities	<u>\$ 52,887,560</u>	<u>\$ 11,022,224</u>	<u>\$ (7,875,463)</u>	<u>\$ 56,034,321</u>	<u>\$ 2,136,362</u>

On June 28, 2012, the County issued \$13,585,000 of general obligation refunding bonds in order to refund previously issued debt. The annual requirements for the general obligation bonds outstanding at September 30, 2015, are as follows:

General Obligation Bonds

Years Ending September 30,	Principal	Interest	Total Requirements
2016	\$ 1,410,000	\$ 306,000	\$ 1,716,000
2017	1,455,000	263,025	1,718,025
2018	1,500,000	218,700	1,718,700
2019	1,550,000	172,950	1,722,950
2020	1,605,000	125,625	1,730,625
2021-2022	<u>3,385,000</u>	<u>102,375</u>	<u>3,487,375</u>
Total	<u>\$ 10,905,000</u>	<u>\$ 1,188,675</u>	<u>\$ 12,093,675</u>

On February 1, 2014, the County issued Unlimited Tax Road Bonds, Series 2014. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County. The annual requirements for these bonds outstanding at September 30, 2015, are as follows:

Unlimited Tax Road Bonds

Years Ending September 30,	Principal	Interest	Total Requirements
2016	\$ -	\$ 1,334,525	\$ 1,334,525
2017	-	1,334,525	1,334,525
2018	-	1,334,525	1,334,525
2019	-	1,334,525	1,334,525
2020	-	1,334,525	1,334,525
2021-2025	5,883,968	6,496,157	12,380,125
2026-2030	11,950,000	4,238,625	16,188,625
2031-2034	<u>11,820,000</u>	<u>1,135,913</u>	<u>12,955,913</u>
Total	29,653,968	<u>\$ 18,543,320</u>	<u>\$ 48,197,288</u>
Less: interest accretion on bonds	(490,118)		
	<u>\$ 29,163,850</u>		

In December 2013, the County issued Tax Notes, Series 2013. These tax notes were issued to fund construction, design, and furniture and equipment purchases for the regional 9-1-1 call center. The annual requirements for the Tax Note outstanding at September 30, 2015, are as follows:

Tax Note

Years Ending September 30,	Principal	Interest	Total Requirements
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>\$ 115,000</u>	<u>\$ 3,350</u>	<u>\$ 118,350</u>

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

Additional loans were issued in FY 2014 for the purchase of vehicles and equipment. Interest rates on these loans range from 2.0-3.2%. The annual requirements to amortize the loans payable at September 30, 2015, are as follows:

Loans Payable

Years Ending September 30,	Principal	Interest	Total Requirements
2016	\$ 348,641	\$ 106,411	\$ 455,052
2017	391,554	96,433	487,987
2018	399,626	87,034	486,660
2019	407,741	77,437	485,178
2020	415,942	67,641	483,583
2021-2025	1,933,047	358,115	2,291,162
2026-2027	<u>690,000</u>	<u>23,400</u>	<u>713,400</u>
Total	<u>\$ 4,586,551</u>	<u>\$ 816,471</u>	<u>\$ 5,403,022</u>

I. Contingent Liabilities

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

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

J. Interfund Transfers

Interfund transfers for the fiscal year ending September 30, 2015, are summarized below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 960,007
	Construction projects	20,150
	Road and Bridge	3,046
Road and bridge	General	52,352
Nonmajor governmental	General	17,594
	Construction projects	74,774
	Nonmajor governmental	<u>443,395</u>
		<u>\$ 1,571,318</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

All eligible employees of the County are required to participate in TCDRS.

Benefits Provided. TCDRS provides retirement, disability and death benefits for all of its fulltime employees. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

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

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

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	201
Inactive employees entitled to but not yet receiving benefits	260
Active employees	<u>484</u>
	<u>945</u>

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 9.65% and 9.40% in calendar years 2014 and 2015, respectively. The County's contributions to TCDRS for the year ended September 30, 2015, were \$1,948,005, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

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

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

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions that determined the total pension liability as of December 31, 2014, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2015 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7% per Cliffwater's 2015 capital market assumptions.

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

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 62,972,739	\$ 61,017,702	\$ 1,955,037
Changes for the year:			
Service cost	2,762,499	-	2,762,499
Interest on total pension liability ⁽¹⁾	5,087,347	-	5,087,347
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(306,924)	-	(306,924)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(467,453)	(467,453)	-
Benefit payments	(2,633,596)	(2,633,596)	-
Administrative expenses	-	(48,743)	48,743
Member contributions	-	1,415,395	(1,415,395)
Net investment income	-	4,146,388	(4,146,388)
Employer contributions	-	1,948,436	(1,948,436)
Other ⁽²⁾	-	40,434	(40,434)
Balance at 12/31/2014	<u>\$ 67,414,612</u>	<u>\$ 65,418,563</u>	<u>\$ 1,996,049</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 76,384,651	\$ 67,414,612	\$ 60,081,309
Fiduciary net position	<u>65,418,563</u>	<u>65,418,563</u>	<u>65,418,563</u>
Net pension liability/(asset)	<u>\$ 10,966,088</u>	<u>\$ 1,996,049</u>	<u>\$ (5,337,254)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the County recognized pension expense of \$1,551,072.

At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 245,539	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	683,915
Contributions subsequent to the measurement date	-	1,491,307
Total	<u>\$ 245,539</u>	<u>\$ 2,175,222</u>

\$1,491,307 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2016	\$ 109,594
2017	109,594
2018	109,594
2019	109,594
2020	-
Thereafter	-

B. Other Postemployment Benefits

Program Description

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

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

Funding Policy

The County contributions to the Retiree Health Program consist of a pay-as-you-go monthly contribution rate of one-half (1/2) of the cost of health insurance per participant for those that retire with 8 to 19 years of service and 100% of the cost per participant for those that retire with 20 or more years of service. The County contributions to the plan for fiscal year 2015 were \$269,450. Current retirees with less than 20 years of service contribute to the Retiree Health Program with adjustments for age and gender. Monthly retiree contribution rate for fiscal year 2015 ranges from \$716 to \$1,403 for health insurance. Retirees and current employees with 8 to 19 years of service are financially responsible for one-half of the monthly premiums.

Annual OPEB Cost and Net OPEB Obligations

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

The following table shows the components of the County's annual OPEB cost for the year ending September 30, 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$ 1,039,162
Interest on net OPEB obligation	202,976
Adjustment to the ARC	(188,055)
Annual OPEB cost	1,054,083
Contributions made	(269,450)
Increase (decrease) in net OPEB obligation	784,633
Net OPEB obligation/(asset), beginning	<u>4,510,571</u>
Net OPEB obligation/(asset), ending	<u>\$ 5,295,204</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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	\$ 973,161	\$ 185,228	19.0%	\$ 3,693,840
9/30/2014	1,004,673	187,942	18.7%	4,510,571
9/30/2015	1,054,083	269,450	25.6%	5,295,204

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$7,620,206, all of which was unfunded. There are no valuation assets available to offset the liabilities of the plan.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2014	\$ -	\$ 7,620,206	\$ 7,620,206	- %	\$ 20,264,138	37.60%

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

Actuarial Methods and Assumptions

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

The actuarial methods and significant assumptions used are as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	30 years; open
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.5%
Payroll growth rate	3.0%
Projected salary increases	3.0%
General inflation rate	3.0%
Health care cost trend rate	7.25% declining to an ultimate rate of 5.5% after 9 years

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains commercial insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the current fiscal year.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

KAUFMAN COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year Ended December 31	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 2,762,499
Interest total pension liability	5,087,347
Effect of economic/demographic (gains) or losses	(306,924)
Benefit payments/refunds of contributions	(3,101,049)
Net change in total pension liability	4,441,873
Total pension liability - beginning	<u>62,972,739</u>
Total pension liability - ending (a)	<u>\$ 67,414,612</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 1,948,436
Member contributions	1,415,395
Investment income net of investment expenses	4,146,388
Benefit payments refunds of contributions	(3,101,049)
Administrative expenses	(48,743)
Other	<u>40,434</u>
Net change in plan fiduciary net position	4,400,861
Plan fiduciary net position - beginning	<u>61,017,702</u>
Plan fiduciary net position - ending (b)	<u>\$ 65,418,563</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,996,049</u>
Fiduciary net position as a percentage of total pension liability	97.04%
Pensionable covered payroll	\$ 20,264,138
Net pension liability as a percentage of covered payroll	9.85%

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,943,276	\$ 1,943,276	\$ -	\$ 20,264,138	9.6%
2015	1,948,005	1,948,005	-	20,597,590	9.5%

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.1%
Cost-of Living Adjustments	Cost-of-Living Adjustments are considered to be substantively automatic under GASB 68. Therefore, an annual 100% CPI cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experience-based table of rates based on a study of the period 2009-2012.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.
Other Information	There were no benefit changes during the year.

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, 2015

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
12/31/2014	\$ -	\$ 7,620,206	\$ 7,620,206	- %	\$ 20,264,138	37.60%
12/31/2012	-	6,724,843	6,724,843	- %	20,253,654	33.20%
12/31/2010	-	5,365,354	5,365,354	- %	20,684,283	25.94%

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	\$ 27,921,273	\$ 27,917,166	\$ 27,711,259	\$(205,907)
Mixed beverage taxes	82,500	82,500	130,011	47,511
License and permits	41,100	41,100	51,932	10,832
Fees of office	3,634,057	3,726,721	3,296,621	(430,100)
Charges for service	441,547	441,547	496,342	54,795
Intergovernmental	1,569,973	2,534,489	2,857,040	322,551
Investment income	53,500	53,500	56,782	3,282
Miscellaneous	131,000	178,858	328,408	149,550
Total revenues	33,874,950	34,975,881	34,928,395	(47,486)
EXPENDITURES				
Current:				
General government	11,747,467	11,982,224	11,650,961	331,263
Public safety	14,752,772	14,522,048	14,349,160	172,888
Judicial	5,458,607	5,467,107	5,198,636	268,471
Community services	355,095	359,474	315,778	43,696
Infrastructure and environmental services	403,616	426,980	415,549	11,431
Health and human services	446,220	446,540	364,471	82,069
Capital outlay	251,200	750,061	735,112	14,949
Debt service:				
Principal	142,036	815,618	315,542	500,076
Interest and fiscal charges	9,325	15,579	13,036	2,543
Total expenditures	33,566,338	34,785,631	33,358,245	1,427,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	308,612	190,250	1,570,150	1,379,900
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	50,000	50,000	23,939	(26,061)
Insurance recoveries	-	69,516	69,516	-
Operating transfers in	17,600	89,324	69,946	(19,378)
Operating transfers out	(483,155)	(1,006,035)	(983,203)	22,832
Issuance of capital lease	-	500,000	-	(500,000)
Total other financing sources (uses)	(415,555)	(297,195)	(819,802)	(522,607)
NET CHANGE IN FUND BALANCES	(106,943)	(106,945)	750,348	857,293
FUND BALANCES, BEGINNING	1,475,798	1,475,798	1,475,798	-
FUND BALANCES, ENDING	\$ 1,368,855	\$ 1,368,853	\$ 2,226,146	\$ 857,293

KAUFMAN COUNTY, TEXAS

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

GENERAL ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,570,210	\$ 4,567,164	\$ 4,517,665	\$(49,499)
Fees of office	2,458,665	2,458,665	2,166,395	(292,270)
Charges for service	-	80,159	104,754	24,595
Intergovernmental	1,000	1,000	595,767	594,767
Investment income	13,150	20,052	18,457	(1,595)
Miscellaneous	1,100	7,181	7,180	(1)
Total revenues	<u>7,044,125</u>	<u>7,134,221</u>	<u>7,410,218</u>	<u>275,997</u>
EXPENDITURES				
Current:				
Infrastructure and environmental	8,692,455	8,371,821	6,326,177	2,045,644
Capital outlay	490,834	975,974	843,298	132,676
Debt service				
Principal	282,462	305,929	183,357	122,572
Interest and fiscal charges	12,554	12,564	5,739	6,825
Total expenditures	<u>9,478,305</u>	<u>9,666,288</u>	<u>7,358,571</u>	<u>2,307,717</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,434,180)</u>	<u>(2,532,067)</u>	<u>51,647</u>	<u>2,583,714</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	147,189	229,056	81,867
Operating transfers in	-	3,046	3,046	-
Operating transfers out	-	(52,352)	(52,352)	-
Issuance of capital lease	<u>-</u>	<u>-</u>	<u>98,500</u>	<u>98,500</u>
Total other financing sources (uses)	<u>-</u>	<u>97,883</u>	<u>278,250</u>	<u>180,367</u>
NET CHANGE IN FUND BALANCES	<u>(2,434,180)</u>	<u>(2,434,184)</u>	<u>329,897</u>	<u>2,764,081</u>
FUND BALANCES, BEGINNING	<u>2,189,913</u>	<u>2,189,913</u>	<u>2,189,913</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(244,267)</u>	<u>\$(244,271)</u>	<u>\$ 2,519,810</u>	<u>\$ 2,764,081</u>

KAUFMAN COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

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.

**COMBINING
STATEMENTS AND SCHEDULES**

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
ASSETS				
Cash and cash equivalents	\$ 118,213	\$ 72,705	\$ 58,014	\$ 250,914
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>118,213</u>	<u>72,705</u>	<u>58,014</u>	<u>250,914</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	2,134	8,352
Accrued liabilities	-	-	-	402
Due to other funds	-	-	297	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,431</u>	<u>8,754</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Road and bridge projects	-	-	-	-
Public safety	118,213	72,705	-	-
Judicial	-	-	55,583	242,160
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	-
Court technology and security	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>118,213</u>	<u>72,705</u>	<u>55,583</u>	<u>242,160</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 118,213</u>	<u>\$ 72,705</u>	<u>\$ 58,014</u>	<u>\$ 250,914</u>

Special Revenue

<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>	<u>Records Management & Preservation</u>
\$ 8,700	\$ 156,291	\$ 18,752	\$ 295,265	\$ 723	\$ 101,163	\$ 33,092
-	-	-	-	-	-	-
-	2,090	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,700</u>	<u>158,381</u>	<u>18,752</u>	<u>295,265</u>	<u>723</u>	<u>101,163</u>	<u>33,092</u>
-	5,295	-	1,392	-	-	-
-	18,576	-	1,307	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>23,871</u>	<u>-</u>	<u>2,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	134,510	-	-	-	-	-
-	-	18,752	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	723	-	-
-	-	-	292,566	-	-	33,092
-	-	-	-	-	101,163	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,700	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,700</u>	<u>134,510</u>	<u>18,752</u>	<u>292,566</u>	<u>723</u>	<u>101,163</u>	<u>33,092</u>
<u>\$ 8,700</u>	<u>\$ 158,381</u>	<u>\$ 18,752</u>	<u>\$ 295,265</u>	<u>\$ 723</u>	<u>\$ 101,163</u>	<u>\$ 33,092</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue			
	District Clerk Records Management & Preservation	Fire Code	CCL Diversion Court	Star Program
ASSETS				
Cash and cash equivalents	\$ 280,829	\$ 116,473	\$ 47,066	\$ 403
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	2,186	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>280,829</u>	<u>116,473</u>	<u>49,252</u>	<u>403</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	275,040	20	69	-
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>275,040</u>	<u>20</u>	<u>69</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Road and bridge projects	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	49,183	-
Fire code enforcement	-	116,453	-	-
Historical preservation	-	-	-	-
Records management and preservation	5,789	-	-	-
Court technology and security	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	403
Unassigned	-	-	-	-
Total fund balances	<u>5,789</u>	<u>116,453</u>	<u>49,183</u>	<u>403</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 280,829</u>	<u>\$ 116,473</u>	<u>\$ 49,252</u>	<u>\$ 403</u>

Special Revenue

Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ 5,994	\$ 41,558	\$ 1,731	\$ 111	\$ 23,416	\$ 9,818	\$ 1,963
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,994</u>	<u>41,558</u>	<u>1,731</u>	<u>111</u>	<u>23,416</u>	<u>9,818</u>	<u>1,963</u>
-	240	400	-	1,421	148	-
-	-	-	-	-	-	-
-	-	-	100	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>240</u>	<u>400</u>	<u>100</u>	<u>1,421</u>	<u>148</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,994	-	-	-	-	-	-
-	-	1,331	-	-	-	1,963
-	-	-	-	-	-	-
-	-	-	-	21,995	9,670	-
-	-	-	-	-	-	-
-	41,318	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	11	-	-	-
-	-	-	-	-	-	-
<u>5,994</u>	<u>41,318</u>	<u>1,331</u>	<u>11</u>	<u>21,995</u>	<u>9,670</u>	<u>1,963</u>
<u>\$ 5,994</u>	<u>\$ 41,558</u>	<u>\$ 1,731</u>	<u>\$ 111</u>	<u>\$ 23,416</u>	<u>\$ 9,818</u>	<u>\$ 1,963</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue			
	LEOSE Training	County & District Court Technology	JP Technology	Records Archive
ASSETS				
Cash and cash equivalents	\$ 18,196	\$ 4,838	\$ 203,113	\$ 526,208
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	400	-	-	-
Total assets	<u>18,596</u>	<u>4,838</u>	<u>203,113</u>	<u>526,208</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	700	-	1,258	-
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>700</u>	<u>-</u>	<u>1,258</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	400	-	-	-
Restricted for:				
Road and bridge projects	-	-	-	-
Public safety	17,496	-	-	-
Judicial	-	-	-	-
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	526,208
Court technology and security	-	4,838	201,855	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>17,896</u>	<u>4,838</u>	<u>201,855</u>	<u>526,208</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,596</u>	<u>\$ 4,838</u>	<u>\$ 203,113</u>	<u>\$ 526,208</u>

Special Revenue						
SCAAP Grant	Water Mitigation Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	Capital Murder Grant	Bulletproof Vest Grant	CETRZ Grant
\$ 64,170	\$ -	\$ 8,130	\$ 7,057	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	9,708	-	-	59,708	2,782	68,974
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>64,170</u>	<u>9,708</u>	<u>8,130</u>	<u>7,057</u>	<u>59,708</u>	<u>2,782</u>	<u>68,974</u>
-	-	-	465	52,456	795	-
-	-	-	-	-	-	-
-	9,708	-	-	121,426	1,987	69,974
<u>64,338</u>	<u>-</u>	<u>-</u>	<u>6,592</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>64,338</u>	<u>9,708</u>	<u>-</u>	<u>7,057</u>	<u>173,882</u>	<u>2,782</u>	<u>69,974</u>
-	-	-	-	52,040	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,040</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	8,130	-	-	-	-
(168)	-	-	-	(166,214)	-	(1,000)
<u>(168)</u>	<u>-</u>	<u>8,130</u>	<u>-</u>	<u>(166,214)</u>	<u>-</u>	<u>(1,000)</u>
<u>\$ 64,170</u>	<u>\$ 9,708</u>	<u>\$ 8,130</u>	<u>\$ 7,057</u>	<u>\$ 59,708</u>	<u>\$ 2,782</u>	<u>\$ 68,974</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue		
	Defense Expense Grant	Enhancement Grant	Debt Service
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 134,920
Receivables:			
Taxes	-	-	132,854
Accounts	-	-	-
Due from other governments	69,926	7,494	-
Due from other funds	-	-	-
Prepaid items	-	-	-
Total assets	<u>69,926</u>	<u>7,494</u>	<u>267,774</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	510	-
Accrued liabilities	-	-	-
Due to other funds	262,543	7,494	16,000
Deferred revenue	-	-	-
Total liabilities	<u>262,543</u>	<u>8,004</u>	<u>16,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>69,926</u>	<u>-</u>	<u>120,111</u>
Total deferred outflows	<u>69,926</u>	<u>-</u>	<u>120,111</u>
FUND BALANCES			
Nonspendable - prepaid items	-	-	-
Restricted for:			
Road and bridge projects	-	-	-
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Capital projects	-	-	-
Debt service	-	-	131,663
Other purposes	-	-	-
Unassigned	(262,543)	(510)	-
Total fund balances	<u>(262,543)</u>	<u>(510)</u>	<u>131,663</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 69,926</u>	<u>\$ 7,494</u>	<u>\$ 267,774</u>

Capital Projects			
Radio Bond	Transportation Improvements	9-1-1 Call Center	Total Other Governmental Funds
\$ 1,641,625	\$ 269,083	\$ 33,671	\$ 4,554,205
-	-	-	132,854
-	-	-	4,276
143,393	-	-	361,985
-	-	143,393	143,393
-	-	-	400
<u>1,785,018</u>	<u>269,083</u>	<u>177,064</u>	<u>5,197,113</u>
-	5,500	4,955	361,150
-	-	-	20,285
143,393	117,799	-	750,721
-	-	-	70,930
<u>143,393</u>	<u>123,299</u>	<u>4,955</u>	<u>1,203,086</u>
-	-	-	242,077
-	-	-	242,077
-	-	-	400
-	145,784	-	145,784
1,641,625	-	-	1,992,506
-	-	-	367,009
-	-	-	116,453
-	-	-	32,388
-	-	-	857,655
-	-	-	349,174
-	-	172,109	172,109
-	-	-	131,663
-	-	-	17,244
-	-	-	(430,435)
<u>1,641,625</u>	<u>145,784</u>	<u>172,109</u>	<u>3,751,950</u>
<u>\$ 1,785,018</u>	<u>\$ 269,083</u>	<u>\$ 177,064</u>	<u>\$ 5,197,113</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	-	-	63,642
Forfeitures	-	52,475	53,166	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	1,210
Miscellaneous	50,924	-	-	-
Total revenues	<u>50,924</u>	<u>52,475</u>	<u>53,166</u>	<u>64,852</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	56,239	22,882	-	-
Judicial	-	-	43,683	73,793
Infrastructure and environmental	-	-	-	-
Capital outlay	39,189	-	7,769	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>95,428</u>	<u>22,882</u>	<u>51,452</u>	<u>73,793</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(44,504)</u>	<u>29,593</u>	<u>1,714</u>	<u>(8,941)</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	<u>(44,504)</u>	<u>29,593</u>	<u>1,714</u>	<u>(8,941)</u>
FUND BALANCES, BEGINNING	<u>162,717</u>	<u>43,112</u>	<u>53,869</u>	<u>251,101</u>
FUND BALANCES, ENDING	<u>\$ 118,213</u>	<u>\$ 72,705</u>	<u>\$ 55,583</u>	<u>\$ 242,160</u>

Special Revenue

<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>	<u>Records Management and Preservation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	2,000	9,095	302,691	-	60,331	34,376
-	-	-	-	-	-	-
1,022	531,585	-	-	-	-	-
38	757	-	1,323	-	520	659
-	46	-	-	1,819	-	-
<u>1,060</u>	<u>534,388</u>	<u>9,095</u>	<u>304,014</u>	<u>1,819</u>	<u>60,851</u>	<u>35,035</u>
1,022	-	-	447,616	-	-	46,197
-	1,056,789	-	-	-	-	-
-	-	8,821	-	-	64,739	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,022</u>	<u>1,056,789</u>	<u>8,821</u>	<u>447,616</u>	<u>-</u>	<u>64,739</u>	<u>46,197</u>
38	(522,401)	274	(143,602)	1,819	(3,888)	(11,162)
-	-	-	-	-	-	-
-	335	-	-	-	-	-
-	538,498	-	-	3,700	-	-
-	-	-	-	-	-	(174,774)
-	538,833	-	-	3,700	-	(174,774)
38	16,432	274	(143,602)	5,519	(3,888)	(185,936)
<u>8,662</u>	<u>118,078</u>	<u>18,478</u>	<u>436,168</u>	<u>(4,796)</u>	<u>105,051</u>	<u>219,028</u>
<u>\$ 8,700</u>	<u>\$ 134,510</u>	<u>\$ 18,752</u>	<u>\$ 292,566</u>	<u>\$ 723</u>	<u>\$ 101,163</u>	<u>\$ 33,092</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue			
	District Clerk Records Management and Preservation	Fire Code	CCL Diversion Court	Star Program
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	42,975	-	-
Fees of office	24,398	-	545	-
Forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	427	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>24,825</u>	<u>42,975</u>	<u>545</u>	<u>-</u>
EXPENDITURES				
General government	430,450	-	-	-
Public safety and corrections	-	9,506	-	-
Judicial	-	-	1,361	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	4,834	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>430,450</u>	<u>14,340</u>	<u>1,361</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(405,625)</u>	<u>28,635</u>	<u>(816)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	260,050	-	8,102	-
Operating transfers out	-	(17,596)	-	-
Total other financing sources (uses)	<u>260,050</u>	<u>(17,596)</u>	<u>8,102</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(145,575)</u>	<u>11,039</u>	<u>7,286</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>151,364</u>	<u>105,414</u>	<u>41,897</u>	<u>403</u>
FUND BALANCES, ENDING	<u>\$ 5,789</u>	<u>\$ 116,453</u>	<u>\$ 49,183</u>	<u>\$ 403</u>

Special Revenue

Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	6,190	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
30	-	29	2	113	68	-
-	-	-	-	1,341	-	-
<u>30</u>	<u>6,190</u>	<u>29</u>	<u>2</u>	<u>1,454</u>	<u>68</u>	<u>-</u>
-	-	-	-	1,594	11,407	-
-	-	-	-	-	-	-
-	11,717	48,105	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>11,717</u>	<u>48,105</u>	<u>-</u>	<u>1,594</u>	<u>11,407</u>	<u>-</u>
<u>30</u>	<u>(5,527)</u>	<u>(48,076)</u>	<u>2</u>	<u>(140)</u>	<u>(11,339)</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	34,500	-	1,478	6,800	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>34,500</u>	<u>-</u>	<u>1,478</u>	<u>6,800</u>	<u>-</u>
30	(5,527)	(13,576)	2	1,338	(4,539)	-
<u>5,964</u>	<u>46,845</u>	<u>14,907</u>	<u>9</u>	<u>20,657</u>	<u>14,209</u>	<u>1,963</u>
<u>\$ 5,994</u>	<u>\$ 41,318</u>	<u>\$ 1,331</u>	<u>\$ 11</u>	<u>\$ 21,995</u>	<u>\$ 9,670</u>	<u>\$ 1,963</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue			
	LEOSE Training	County & District Court Technology	JP Technology	Records Archive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	4,244	25,402	238,807
Forfeitures	-	-	-	-
Intergovernmental	19,576	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>19,576</u>	<u>4,244</u>	<u>25,402</u>	<u>238,807</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	14,867	-	-	-
Judicial	-	5,848	5,039	222,440
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	39,751	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>14,867</u>	<u>5,848</u>	<u>44,790</u>	<u>222,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,709</u>	<u>(1,604)</u>	<u>(19,388)</u>	<u>16,367</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	<u>4,709</u>	<u>(1,604)</u>	<u>(19,388)</u>	<u>16,367</u>
FUND BALANCES, BEGINNING	<u>13,187</u>	<u>6,442</u>	<u>221,243</u>	<u>509,841</u>
FUND BALANCES, ENDING	<u>\$ 17,896</u>	<u>\$ 4,838</u>	<u>\$ 201,855</u>	<u>\$ 526,208</u>

Special Revenue

SCAAP Grant	Water Mitigation Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	Capital Murder Grant	Bulletproof Vest Grant	CETZRZ Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,211	-	3,800	15,736	91,978	6,757	127,914
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,211</u>	<u>-</u>	<u>3,800</u>	<u>15,736</u>	<u>91,978</u>	<u>6,757</u>	<u>127,914</u>
-	-	-	-	-	6,757	-
-	-	-	15,736	-	-	-
7,211	-	-	-	369,185	-	-
-	-	-	-	-	-	128,914
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,211</u>	<u>-</u>	<u>-</u>	<u>15,736</u>	<u>369,185</u>	<u>6,757</u>	<u>128,914</u>
-	-	3,800	-	(277,207)	-	(1,000)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	110,993	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,993</u>	<u>-</u>	<u>-</u>
-	-	3,800	-	(166,214)	-	(1,000)
(168)	-	4,330	-	-	-	-
<u>\$(168)</u>	<u>\$ -</u>	<u>\$ 8,130</u>	<u>\$ -</u>	<u>\$(166,214)</u>	<u>\$ -</u>	<u>\$(1,000)</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	Defense Expense Grant	Enhancement Grant	Debt Service
REVENUES			
Property taxes	\$ -	\$ -	\$ 3,199,338
License and permits	-	-	-
Fees of office	-	-	-
Forfeitures	-	-	-
Intergovernmental	96,752	63,149	-
Investment income	-	-	3,342
Miscellaneous	-	-	-
Total revenues	96,752	63,149	3,202,680
EXPENDITURES			
General government	-	-	-
Public safety and corrections	-	-	-
Judicial	312,042	63,659	-
Infrastructure and environmental	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	1,486,084
Interest and fiscal charges	-	-	1,711,893
Bond issuance costs	-	-	-
Total expenditures	312,042	63,659	3,197,977
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(215,290)	(510)	4,703
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	73,888	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	73,888	-	-
NET CHANGE IN FUND BALANCES	(141,402)	(510)	4,703
FUND BALANCES, BEGINNING	(121,141)	-	126,960
FUND BALANCES, ENDING	\$(262,543)	\$(510)	\$ 131,663

Capital Projects

<u>Radio Bond</u>	<u>Transportation Improvements</u>	<u>9-1-1 Call Center</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 3,199,338
-	-	-	42,975
-	-	-	771,721
-	-	-	105,641
143,393	-	-	1,108,873
4,689	-	-	13,207
-	-	-	54,130
<u>148,082</u>	<u>-</u>	<u>-</u>	<u>5,295,885</u>
-	14,400	-	959,443
1,775,492	-	25,030	2,976,541
-	-	-	1,237,643
-	-	-	128,914
-	119,899	963,183	1,174,625
-	-	-	1,486,084
-	-	-	1,711,893
57,572	-	-	57,572
<u>1,833,064</u>	<u>134,299</u>	<u>988,213</u>	<u>9,732,715</u>
(1,684,982)	(134,299)	(988,213)	(4,436,830)
3,670,000	-	-	3,670,000
-	-	-	335
-	-	365,393	1,403,402
(343,393)	-	-	(535,763)
<u>3,326,607</u>	<u>-</u>	<u>365,393</u>	<u>4,537,974</u>
1,641,625	(134,299)	(622,820)	101,144
-	280,083	794,929	3,650,806
<u>\$ 1,641,625</u>	<u>\$ 145,784</u>	<u>\$ 172,109</u>	<u>\$ 3,751,950</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2015

	Agency Funds				
	Childrens' Shelter	Adult Probation	Tax Assessor Collector	Employee Savings	JP Offices
ASSETS					
Cash and cash equivalents	\$ <u>15,388</u>	\$ <u>862,898</u>	\$ <u>2,124,915</u>	\$ <u>301,246</u>	\$ <u>162,205</u>
Total assets	<u>15,388</u>	<u>862,898</u>	<u>2,124,915</u>	<u>301,246</u>	<u>162,205</u>
LIABILITIES AND FUND BALANCES					
Due to others	<u>15,388</u>	<u>862,898</u>	<u>2,124,915</u>	<u>301,246</u>	<u>162,205</u>
Total liabilities	\$ <u><u>15,388</u></u>	\$ <u><u>862,898</u></u>	\$ <u><u>2,124,915</u></u>	\$ <u><u>301,246</u></u>	\$ <u><u>162,205</u></u>

Agency Funds				
District Clerk	County Clerk	County District Attorney	Sherriff Office	Total Agency Funds
\$ <u>2,681,287</u>	\$ <u>423,799</u>	\$ <u>107,028</u>	\$ <u>433,183</u>	\$ <u>7,111,949</u>
<u>2,681,287</u>	<u>423,799</u>	<u>107,028</u>	<u>433,183</u>	<u>7,111,949</u>
<u>2,681,287</u>	<u>423,799</u>	<u>107,028</u>	<u>433,183</u>	<u>7,111,949</u>
\$ <u><u>2,681,287</u></u>	\$ <u><u>423,799</u></u>	\$ <u><u>107,028</u></u>	\$ <u><u>433,183</u></u>	\$ <u><u>7,111,949</u></u>

KAUFMAN COUNTY, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,235,797	\$ 3,231,507	\$ 3,199,338	\$(32,169)
Investment income	<u>3,650</u>	<u>3,650</u>	<u>3,342</u>	<u>(308)</u>
Total revenues	<u>3,239,447</u>	<u>3,235,157</u>	<u>3,202,680</u>	<u>(32,477)</u>
EXPENDITURES				
Debt service				
Principal	1,486,084	1,486,084	1,486,084	-
Interest and fiscal charges	<u>1,711,653</u>	<u>1,711,893</u>	<u>1,711,893</u>	<u>-</u>
Total expenditures	<u>3,197,737</u>	<u>3,197,977</u>	<u>3,197,977</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	41,710	37,180	4,703	(32,477)
FUND BALANCES, BEGINNING	<u>126,960</u>	<u>126,960</u>	<u>126,960</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 168,670</u>	<u>\$ 164,140</u>	<u>\$ 131,663</u>	<u>\$(32,477)</u>

COMPLIANCE SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of and for the year ended September 30, 2015, 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 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
June 29, 2016



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

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

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

Report on Compliance for Each Major State Program

We have audited Kaufman County, Texas' (the "County") compliance with the types of compliance requirements described in the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2015. The County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Texas Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
June 29, 2016

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Program Title	Grantor's Number	Expenditures
STATE AWARDS		
<u>Texas Department of Transportation</u>		
County Entergy Transportation Reinvestment Zones (CETRZ)	N/A	\$ 127,914
Total Texas Department of Transportation		<u>127,914</u>
<u>Texas Indigent Defense Commission</u>		
Indigent Defense - Formula Grant	221-15-129	99,965
Extraordinary Disbursement - Defense Expense Grant	N/A	60,320
Indigent Defense - Discretionary Grant	212-35-D07	29,115
Total Texas Indigent Defense Commission		<u>189,400</u>
<u>Office of the Attorney General</u>		
Automated Victim Notification Service (SAVNS) Grant	1555044	14,046
Total Office of the Attorney General		<u>14,046</u>
<u>Texas Commission on Environmental Quality</u>		
Passed through North Central Texas Council of Governments		
Illegal Dumping Prevention	14.04.G07	35,000
Total passed through North Central Texas Council of Governments		<u>35,000</u>
Direct programs		
Local Initiatives Projects	582-14-40123	15,736
AirCheck (LIRAP)	582-12-20285	35,705
Total direct programs		<u>51,441</u>
Total Texas Commission on Environmental Quality		<u>86,441</u>
<u>Office of the Governor, Criminal Justice Division</u>		
Enhancement Project	SF15S802819201	63,149
County Essentials Program - Capital Murder Grant FY 15-16	CE15C412740902	19,890
County Essentials Program - Capital Murder Grant FY 14-15	CE13C412740901	124,129
Total Office of the Governor, Criminal Justice Division		<u>207,168</u>
Total Expenditures of State Awards		<u>\$ 624,969</u>

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

SEPTEMBER 30, 2015

Note 1 – General

The Schedule of Expenditures of State Awards presents the activity of all applicable state awards of Kaufman County, Texas (the “County”) for the year ended September 30, 2015. The County's reporting entity is defined in Note 1 of the basic financial statements.

Note 2 – Basis of Accounting

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

KAUFMAN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Summary of Auditors' Results

Financial Statements:

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

State Awards:

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

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

County Essentials Program - Capital Murder Grant
Extraordinary Disbursement - Defense Expense Grant
County Energy Transportation Reinvestment Grant

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

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

None

Findings and Questioned Costs for State Awards

None

KAUFMAN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2015

Item 2014-001:

Internal Controls at Justice of the Peace Offices

Condition:	While walking through the internal control procedures at the County's Justice of the Peace offices, we determined that there is no regular review of dismissed, voided or deleted cases. Additionally, we noted several instances where the clerks and office personnel had a signature stamp for the judge which was used regularly for a various number of reasons.
Criteria:	Proper reviews and authorizations for transactions is a critical part of any internal control system and will help detect any errors or abuse that could occur. Additionally, when a signature stamp is used, it should be because of the volume of signatures necessary, not to circumvent the requirement of signatures to document review and approval of transactions. A signature stamp should only be available to the person whose signature is on the stamp, or in their absence, to one other individual who is not a signor on the account. A signature stamps should be kept in a secured location with limited access by office personnel. This control will help prevent unauthorized use of signature stamps.
Cause:	Proper controls have not been implemented to ensure the security of signature stamps or to ensure that all transactions are properly reviewed and authorized.
Effect:	Internal controls in these offices functioned in such a manner that errors, fraud, or misappropriation would not be detected by management in a timely basis.
Recommendation:	We recommend that procedures be put into place that will ensure that all dismissals or voided or deleted cases are properly reviewed and authorized by the appropriate level of management and that all signature stamps be secured.
Current Status:	This matter has been resolved.