

**KAUFMAN COUNTY, TEXAS**

**ANNUAL FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**



**KAUFMAN COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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**KAUFMAN COUNTY, TEXAS**

**DIRECTORY OF OFFICIALS**

**SEPTEMBER 30, 2017**

**Commissioners' Court:**

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

**Justices of the Peace:**

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

**Constables:**

|             |                       |
|-------------|-----------------------|
| Precinct #1 | Mr. Shawn Mayfield    |
| Precinct #2 | Mr. Jason Johnson     |
| Precinct #3 | Mr. Keith Stephens    |
| Precinct #4 | Mr. Joseph Chad Jones |

**86th Judicial District of the State of Texas:**

|                |                 |
|----------------|-----------------|
| District Judge | Mr. Casey Blair |
|----------------|-----------------|

# KAUFMAN COUNTY, TEXAS

## DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2017

### 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 Daniel           |
| Chief Juvenile Probation Officer | Ms. Laura Peace            |

### Officials of Kaufman County:

|                                  |                        |
|----------------------------------|------------------------|
| County Court-at-law Judge        | Mr. Dennis Jones       |
| County Court-at-law Judge #2     | Mr. Bobby Rich         |
| County Clerk                     | Ms. Laura Hughes       |
| County Sheriff                   | Mr. Bryan Beavers      |
| County Tax Assessor-Collector    | Ms. Brenda Samples     |
| County Treasurer                 | Mr. Ronnie Oldfield    |
| County Veterans Service Officer  | Mr. Robert Hunter      |
| County Health Officer            | Dr. William J. Fortner |
| Indigent Health Care Officer     | Ms. Desiree Pool       |
| Public Works Coordinator         | Mr. Randy Richards     |
| Emergency Management Coordinator | Mr. Steve Howie        |
| Fire Marshall                    | Mr. Randy Richards     |
| Purchasing Agent                 | Ms. Lisa Callahan      |

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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 Commissioner's 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, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Kaufman County, Texas' basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Kaufman County, Texas' 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kaufman County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018 on our consideration of Kaufman County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kaufman County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
June 7, 2018

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## 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, 2017. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please consider the information presented here, in conjunction with the financial statements and related footnotes.

### FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the year by \$(2,758,835) (net position). The balance of unrestricted net position at year end was \$(22,690,870).
- Total net position decreased by \$1,266,264 due primarily to a decrease of \$3.2 million in grants and contributions.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$38,130,726, a decrease of \$1,260,947 from the previous year.
- The unassigned fund balance in the General Fund of \$4,108,281 is available for spending at the County's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of Kaufman County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(2,758,835) as of September 30, 2017.

The County's investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is a large portion of net position. These assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Capital assets increased \$504,602 (net) while current and other assets increased \$127,994. Cash and investment balances increased \$408,482. Long-term liabilities increased from the prior year by \$267,862. The predominant reason for the change in liabilities is the issuance of capital lease obligations, the increase of the net pension liability of \$769,653, and the payment of current year debt service obligations.

**Governmental activities.** Governmental activities decreased the County's net position by \$1,266,264. The decrease from the prior year is primarily due to a decrease of \$3.2 million in grants and contributions.

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

|   | Governmental Activities       |                               |
|---|-------------------------------|-------------------------------|
|   | 2017                          | 2016                          |
| <b>ASSETS</b>                                     |                               |                               |
| Current and other assets                          | \$ 56,073,939                 | \$ 55,945,945                 |
| Capital assets                                    | 25,611,174                    | 25,106,572                    |
| Total assets                                      | <u>81,685,113</u>             | <u>81,052,517</u>             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                               |                               |
| Deferred loss on bond refunding                   | 171,495                       | 205,793                       |
| Deferred outflow of resources related to pensions | 6,925,680                     | 7,269,174                     |
| Total deferred outflows of resources              | <u>7,097,175</u>              | <u>7,474,967</u>              |
| <b>LIABILITIES</b>                                |                               |                               |
| Long-term liabilities                             | 85,064,743                    | 84,796,881                    |
| Other liabilities                                 | 5,613,588                     | 4,052,323                     |
| Total liabilities                                 | <u>90,678,331</u>             | <u>88,849,204</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                               |                               |
| Deferred inflows of resources related to pensions | 862,792                       | 1,170,851                     |
| Total deferred outflows of resources              | <u>862,792</u>                | <u>1,170,851</u>              |
| <b>NET POSITION</b>                               |                               |                               |
| Net investment in capital assets                  | 13,192,825                    | 11,016,148                    |
| Restricted  | 6,739,210                     | 5,720,867                     |
| Unrestricted                                      | ( 22,690,870)                 | ( 18,229,586)                 |
| Total net position                                | <u><u>\$ ( 2,758,835)</u></u> | <u><u>\$ ( 1,492,571)</u></u> |

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

|   | Governmental Activities |                       |
|---|-------------------------|-----------------------|
|   | 2017                    | 2016                  |
| <b>REVENUES</b>                           |                         |                       |
| General revenues:                         |                         |                       |
| Property taxes                            | \$ 41,982,571           | \$ 37,736,896         |
| Charges for services                      | 10,747,943              | 9,914,560             |
| Grants and contributions                  | 3,144,371               | 6,363,741             |
| Investment income                         | 416,491                 | 134,036               |
| Miscellaneous                             | 435,494                 | 303,920               |
| Gain on disposal of capital assets        | 526,450                 | 85,433                |
| Total revenues                            | <u>57,253,320</u>       | <u>54,538,586</u>     |
| <b>EXPENSES</b>                           |                         |                       |
| General government                        | 14,633,856              | 14,775,359            |
| Public safety and corrections             | 18,244,440              | 18,349,963            |
| Judicial                                  | 6,859,111               | 6,473,768             |
| Community service                         | 516,788                 | 299,990               |
| Infrastructure and environmental services | 15,392,376              | 20,431,869            |
| Health and human services                 | 440,317                 | 266,083               |
| Interest and fiscal charges               | 2,432,696               | 1,586,140             |
| Bond issuance costs                       | -                       | 400,276               |
| Total expenses                            | <u>58,519,584</u>       | <u>62,583,448</u>     |
| <b>CHANGE IN NET POSITION</b>             | ( 1,266,264)            | ( 8,044,862)          |
| <b>NET POSITION, BEGINNING</b>            | ( 1,492,571)            | 6,502,476             |
| <b>PRIOR PERIOD ADJUSTMENT</b>            | -                       | 49,815                |
| <b>NET POSITION, BEGINNING, RESTATED</b>  | ( 1,492,571)            | 6,552,291             |
| <b>NET POSITION, ENDING</b>               | <u>\$( 2,758,835)</u>   | <u>\$( 1,492,571)</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 \$4,108,281. 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 11% of total General Fund expenditures.

The fund balance of the General Fund increased by \$2,539,918 during the fiscal year. Revenues exceeded expenditures for the year by \$3,527,574.

The General Road and Bridge Fund had an ending fund balance of \$4,217,391. 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 \$858,184. This increase was due to expenditures exceeding total revenues by \$1,072,365, transfers in of \$410,237, and sale of capital assets of \$518,704.

The Construction Projects Fund had an ending fund balance of \$26,569,183 which is a decrease of \$5,035,982. The County spent \$5,608,140 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 \$2,112,062 under budget in expenditures through cost cutting measures during the current fiscal year.
- Revenues collected were \$871,618 more than what was budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Kaufman County's investment in capital assets for its governmental activities as of fiscal year-end was \$25,611,174 (net of accumulated depreciation), an increase of \$504,602 from the prior year. The increase primarily resulted from the purchase of significant machinery and equipment. 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 |                      |
|--------------------------------|-------------------------|----------------------|
|                                | 2017                    | 2016                 |
| Land                           | \$ 2,031,395            | \$ 2,017,983         |
| Public monuments               | 712,736                 | 712,736              |
| Buildings and improvements     | 30,350,056              | 30,350,056           |
| Infrastructure                 | 11,740,765              | 11,575,075           |
| Machinery and equipment        | <u>18,768,697</u>       | <u>17,873,196</u>    |
|                                | 63,603,649              | 62,529,046           |
| Less: accumulated depreciation | <u>( 37,992,475)</u>    | <u>( 37,422,474)</u> |
| Total capital assets, net      | <u>\$ 25,611,174</u>    | <u>\$ 25,106,572</u> |

**Long-term Debt.** At the end of the fiscal year, the County had total debt outstanding of \$85,064,743, which is an increase of \$267,862 from the prior year.

**Table 4**  
**Kaufman County, Texas' Outstanding Debt**

|                                    | Governmental Activities |                      |
|------------------------------------|-------------------------|----------------------|
|                                    | 2017                    | 2016                 |
| General obligation refunding bonds | \$ 8,040,000            | \$ 9,495,000         |
| Unlimited tax road bonds           | 52,808,850              | 52,808,850           |
| Accreted interest                  | 177,641                 | 123,596              |
| Bond premiums                      | 4,230,355               | 4,482,651            |
| Tax Note                           | 55,000                  | 85,000               |
| Loans Payable                      | 3,846,318               | 4,237,910            |
| Compensated absences               | 1,384,060               | 1,296,309            |
| Capital leases                     | 1,020,882               | 272,514              |
| Net pension liability              | 6,710,083               | 5,940,430            |
| Net OPEB obligation                | <u>6,791,554</u>        | <u>6,054,621</u>     |
| Total Outstanding Debt             | <u>\$ 85,064,743</u>    | <u>\$ 84,796,881</u> |

State statutes limit the amount of general obligation debt that a county may issue to 5% of its total assessed valuation. The current debt limit for Kaufman County is \$323,490,589 which is significantly in excess of the County's outstanding debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The following economic factors currently affect the County of Kaufman, Texas, and were considered in developing the 2017-2018 fiscal year budgets:

- As of September 2017, the unemployment rate for Kaufman County was 3.3%, which was a decrease from a rate of 3.9% in September 2016.
- The Kaufman County population is currently 118,350 which is a 14.5% increase of the 2010 census. This information was compiled by the Texas Association of Counties.
- In 2014, Kaufman County voters approved a \$56 million bond issue, all of which was fully issued by September 2016. These bonds are being used to improve the road infrastructure with interconnecting roads throughout the County and the metropolitan Dallas/Fort Worth areas.
  - Beginning in 2017, Kaufman County began receiving Pass-Through Toll revenue as a result of partnering with entities such as Texas Department of Transportation on specific Road Bond projects. These additional revenues are expected to be used on county roads.
- Property values continue to reflect increases, which is a recent trend in Kaufman County. Additionally, residential and industrial developments are on the rise county wide, further increasing taxable assessed values for the county.
- Interest rates have increased slightly, allowing Kaufman County to take advantage of additional investment revenues.
- Kaufman County's 2014 contract for the housing of Federal Inmates at the County's Law Enforcement Center continues to generate additional revenues. The Sheriff's department anticipates the contract being extended beyond the original five year contract agreement.
- Increases in health and insurance premiums expenditures are expected, as well as pension and other employee benefit costs.
- The 911 Telecommunications Center's construction has been completed and is fully functional. The Center provides county wide telecommunications for all local law enforcement agencies and first responders. Many of the cities within Kaufman County have entered into an interlocal agreement with the County to provide these services.
- In 2017, the Kaufman County Commissioners purchased software to track materials used for building and repairing County roads throughout the County. This software will help the Road and Bridge departments with infrastructure improvements and capital asset projects, which in turn will benefit the citizens of Kaufman County.
- Kaufman County is planning on repairing and renovating the Commissioners' Court meeting room in 2018.

- The Kaufman County Poor Farm is one of the last Poor Farms in the State of Texas. With the help of the Kaufman County Historical Commission, Kaufman County is working to repair and maintain this historic farm in hopes that it will bring more tourists and visitors to the area.

## **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.

**BASIC  
FINANCIAL STATEMENTS**

# KAUFMAN COUNTY, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Cash and cash equivalents                                | \$ 42,820,718                      |
| Taxes receivable, net of allowance<br>for uncollectibles | 1,819,690                          |
| Accounts receivable                                      | 1,769,223                          |
| Due from other governments                               | 9,567,068                          |
| Prepaid expenses   | 97,240                             |
| Capital assets:  |                                    |
| Nondepreciable   | 2,744,131                          |
| Depreciable, net   | <u>22,867,043</u>                  |
| Total assets   | <u>81,685,113</u>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                                    |
| Deferred loss on bond refunding                          | 171,495                            |
| Deferred outflow of resources related to pensions        | <u>6,925,680</u>                   |
| Total deferred outflows of resources                     | <u>7,097,175</u>                   |
| <b>LIABILITIES</b>                                       |                                    |
| Accounts payable   | 3,929,197                          |
| Accrued liabilities                                      | 980,638                            |
| Due to other governments                                 | 321,370                            |
| Unearned revenue   | 33,161                             |
| Accrued interest   | 349,222                            |
| Long-term liabilities:                                   |                                    |
| Due within one year                                      | 2,425,295                          |
| Due in more than one year                                | <u>82,639,448</u>                  |
| Total liabilities  | <u>90,678,331</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                                    |
| Deferred inflows of resources related to pensions        | <u>862,792</u>                     |
| Total deferred outflows of resources                     | <u>862,792</u>                     |
| <b>NET POSITION</b>                                      |                                    |
| Net investment in capital assets                         | 13,192,825                         |
| Restricted:  |                                    |
| Road and bridge projects                                 | 4,559,444                          |
| Public safety  | 208,066                            |
| Judicial   | 330,676                            |
| Fire code enforcement                                    | 185,770                            |
| Historical preservation                                  | 52,740                             |
| Records management and preservation                      | 924,565                            |
| Court technology and security                            | 391,803                            |
| Debt service   | 21,539                             |
| Other purposes   | 64,607                             |
| Unrestricted   | <u>( 22,690,870)</u>               |
| Total net position                                       | <u><u>\$ ( 2,758,835)</u></u>      |

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

**KAUFMAN COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Functions/Programs                 | Expenses             | Program Revenues        |  |  | Net (Expenses)                             |
|------------------------------------|----------------------|-------------------------|--|--|--|
|                                    |                      | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Revenues and<br>Changes in<br>Net Position |
|                                    |                      |                         |  |  | Governmental<br>Activities                 |
| Governmental activities:           |                      |                         |  |  |  |
| General government                 | \$ 14,633,856        | \$ 5,354,925            | \$ 368,215                               | \$ -                                   | \$( 8,910,716)                             |
| Public safety and corrections      | 18,244,440           | 903,795                 | 712,586                                  | 9,900                                  | ( 16,618,159)                              |
| Judicial                           | 6,859,111            | 4,104,942               | 390,470                                  | -                                      | ( 2,363,699)                               |
| Community services                 | 516,788              | -                       | 299,369                                  | 7,981                                  | ( 209,438)                                 |
| Infrastructure and environmental   | 15,392,376           | 384,281                 | 949,388                                  | 339,949                                | ( 13,718,758)                              |
| Health and human services          | 440,317              | -                       | 26,545                                   | 39,968                                 | ( 373,804)                                 |
| Interest and fiscal charges        | 2,432,696            | -                       | -  | -                                      | ( 2,432,696)                               |
| Total governmental activities      | <u>58,519,584</u>    | <u>10,747,943</u>       | <u>2,746,573</u>                         | <u>397,798</u>                         | <u>( 44,627,270)</u>                       |
| Total primary government           | <u>\$ 58,519,584</u> | <u>\$ 10,747,943</u>    | <u>\$ 2,746,573</u>                      | <u>\$ 397,798</u>                      | <u>( 44,627,270)</u>                       |
| General revenues:                  |                      |                         |  |  |  |
| Property taxes                     |                      |                         |  |  | 41,982,571                                 |
| Investment income                  |                      |                         |  |  | 416,491                                    |
| Gain on disposal of capital assets |                      |                         |  |  | 526,450                                    |
| Miscellaneous                      |                      |                         |  |  | <u>435,494</u>                             |
| Total general revenues             |                      |                         |  |  | <u>43,361,006</u>                          |
| Change in net position             |                      |                         |  |  | ( 1,266,264)                               |
| Net position, beginning            |                      |                         |  |  | ( 1,492,571)                               |
| Net position, ending               |                      |                         |  |  | <u>\$( 2,758,835)</u>                      |

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

# KAUFMAN COUNTY, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

|   | General       | General<br>Road<br>and Bridge | Construction<br>Projects |
|---|---------------|-------------------------------|--------------------------|
| <b>ASSETS</b>   |               |                               |                          |
| Cash and cash equivalents   | \$ 7,046,765  | \$ 4,800,943                  | \$ 28,497,353            |
| Receivables:  |               |                               |                          |
| Taxes   | 1,439,956     | 237,549                       | -                        |
| Accounts  | 1,768,348     | 875                           | -                        |
| Due from other governments  | 271,073       | 183,299                       | 9,090,512                |
| Due from other funds  | 17,920        | -                             | -                        |
| Prepaid items   | 97,240        | -                             | -                        |
| Total assets  | 10,641,302    | 5,222,666                     | 37,587,865               |
| <b>LIABILITIES</b>  |               |                               |                          |
| Accounts payable  | 1,407,747     | 548,009                       | 1,928,170                |
| Accrued liabilities   | 840,214       | 115,213                       | -                        |
| Due to other governments  | 321,370       | -                             | -                        |
| Due to other funds  | 3,542         | -                             | -                        |
| Unearned revenue  | -             | -                             | -                        |
| Total liabilities   | 2,572,873     | 663,222                       | 1,928,170                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |               |                               |                          |
| Unavailable revenue   | 3,112,908     | 342,053                       | 9,090,512                |
| Total deferred inflows of resources                                   | 3,112,908     | 342,053                       | 9,090,512                |
| <b>FUND BALANCES</b>  |               |                               |                          |
| Nonspendable  |               |                               |                          |
| Prepaid items   | 97,240        | -                             | -                        |
| Restricted  |               |                               |                          |
| Road and bridge projects  | -             | 4,217,391                     | 26,569,183               |
| Public safety   | -             | -                             | -                        |
| Judicial  | -             | -                             | -                        |
| Fire code enforcement   | -             | -                             | -                        |
| Historical preservation   | -             | -                             | -                        |
| Records management and preservation                                   | -             | -                             | -                        |
| Court technology and security   | -             | -                             | -                        |
| Debt service  | -             | -                             | -                        |
| Other purposes  | -             | -                             | -                        |
| Committed   |               |                               |                          |
| Debt service  | 500,000       | -                             | -                        |
| Animal Shelter  | 250,000       | -                             | -                        |
| Unassigned  | 4,108,281     | -                             | -                        |
| Total fund balances   | 4,955,521     | 4,217,391                     | 26,569,183               |
| Total liabilities, deferred inflows of<br>resources and fund balances | \$ 10,641,302 | \$ 5,222,666                  | \$ 37,587,865            |

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

| <u>Other<br/>Nonmajor<br/>Governmental</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---|
| \$ 2,475,657                               | \$ 42,820,718                           |
| 142,185                                    | 1,819,690                               |
| -  | 1,769,223                               |
| 22,184                                     | 9,567,068                               |
| 3,542                                      | 21,462                                  |
| -  | 97,240                                  |
| <u>2,643,568</u>                           | <u>56,095,401</u>                       |
| 45,271                                     | 3,929,197                               |
| 25,211                                     | 980,638                                 |
| -  | 321,370                                 |
| 17,920                                     | 21,462                                  |
| <u>33,161</u>                              | <u>33,161</u>                           |
| <u>121,563</u>                             | <u>5,285,828</u>                        |
| 133,374                                    | 12,678,847                              |
| <u>133,374</u>                             | <u>12,678,847</u>                       |
| -  | 97,240                                  |
| -  | 30,786,574                              |
| 208,156                                    | 208,156                                 |
| 330,676                                    | 330,676                                 |
| 185,770                                    | 185,770                                 |
| 52,740                                     | 52,740                                  |
| 924,565                                    | 924,565                                 |
| 391,803                                    | 391,803                                 |
| 241,882                                    | 241,882                                 |
| 64,607                                     | 64,607                                  |
| -  | 500,000                                 |
| -  | 250,000                                 |
| ( 11,568)                                  | 4,096,713                               |
| <u>2,388,631</u>                           | <u>38,130,726</u>                       |
| <u>\$ 2,643,568</u>                        | <u>\$ 56,095,401</u>                    |

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# KAUFMAN COUNTY, TEXAS

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

SEPTEMBER 30, 2017

|  |                               |
|--|-------------------------------|
| Fund balances - governmental funds   | \$ 38,130,726                 |
| 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  | 63,603,649                    |
| Less: accumulated depreciation   | ( 37,992,475)                 |
| 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   | 1,632,241                     |
| Court fines  | 1,721,114                     |
| Interlocal agreements  | 9,090,512                     |
| Grant revenue  | 234,980                       |
| Certain long-term liabilities reported in governmental activities do not require current financial resources and therefore are not reported in the governmental funds balance sheet.   |                               |
| Net OPEB obligation  | ( 6,791,554)                  |
| Net pension liability  | ( 6,710,083)                  |
| Compensated absences   | ( 1,384,060)                  |
| 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. |                               |
|  | ( 70,179,046)                 |
| Certain deferred inflows and deferred outflows of resources are only reported in the government-wide financial statements:   |                               |
| Deferred outflows of resources:  |                               |
| Related to pensions  | 6,925,680                     |
| Deferred loss on bond refunding  | 171,495                       |
| Deferred inflows of resources:   |                               |
| Related to pensions  | ( 862,792)                    |
| Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.   |                               |
|  | ( 349,222)                    |
| Net position of governmental activities  | <u><u>\$ ( 2,758,835)</u></u> |

**KAUFMAN COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | General             | General<br>Road<br>and Bridge | Construction<br>Projects |
|--|---------------------|-------------------------------|--------------------------|
| <b>REVENUES</b>  |                     |                               |                          |
| Property taxes   | \$ 31,043,355       | \$ 6,415,090                  | \$ -                     |
| Mixed beverage taxes   | 142,383             | -                             | -                        |
| License and permits  | 77,328              | -                             | -                        |
| Fees of office   | 3,895,904           | 1,960,851                     | -                        |
| Charges for services   | 1,357,764           | 17,011                        | -                        |
| Forfeitures  | -                   | -                             | -                        |
| Intergovernmental  | 3,469,604           | 762,066                       | 273,269                  |
| Investment income  | 110,742             | 21,145                        | 277,433                  |
| Miscellaneous  | 232,859             | 125,707                       | 21,456                   |
| Total revenues   | 40,329,939          | 9,301,870                     | 572,158                  |
| <b>EXPENDITURES</b>  |                     |                               |                          |
| General government   | 13,688,506          | -                             | -                        |
| Public safety and corrections  | 15,497,784          | -                             | -                        |
| Judicial   | 5,790,750           | -                             | -                        |
| Community services   | 406,045             | -                             | -                        |
| Infrastructure and environmental                                     | 410,200             | 8,050,308                     | 5,607,738                |
| Health and human service   | 415,264             | -                             | -                        |
| Capital outlay   | 575,518             | 2,124,145                     | -                        |
| Debt service:  |                     |                               |                          |
| Principal  | 15,636              | 192,985                       | -                        |
| Interest and fiscal charges  | 2,662               | 6,797                         | 402                      |
| Total expenditures   | 36,802,365          | 10,374,235                    | 5,608,140                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>3,527,574</u>    | <u>( 1,072,365)</u>           | <u>( 5,035,982)</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                               |                          |
| Sale of capital assets   | -                   | 518,704                       | -                        |
| Insurance recoveries   | 270,907             | 60,254                        | -                        |
| Transfers in   | 6,561               | 410,237                       | -                        |
| Transfers out  | ( 1,265,124)        | -                             | -                        |
| Issuance of capital lease  | -                   | 941,354                       | -                        |
| Total other financing sources (uses)                                 | <u>( 987,656)</u>   | <u>1,930,549</u>              | <u>-</u>                 |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 2,539,918           | 858,184                       | ( 5,035,982)             |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>2,415,603</u>    | <u>3,359,207</u>              | <u>31,605,165</u>        |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 4,955,521</u> | <u>\$ 4,217,391</u>           | <u>\$ 26,569,183</u>     |

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

| Other<br>Nonmajor<br>Governmental | Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|
| \$ 4,408,399                      | \$ 41,866,844                  |
| -                                 | 142,383                        |
| 102,786                           | 180,114                        |
| 880,175                           | 6,736,930                      |
| -                                 | 1,374,775                      |
| 57,031                            | 57,031                         |
| 1,036,426                         | 5,541,365                      |
| 7,171                             | 416,491                        |
| 55,472                            | 435,494                        |
| <u>6,547,460</u>                  | <u>56,751,427</u>              |
| 328,431                           | 14,016,937                     |
| 1,324,312                         | 16,822,096                     |
| 518,502                           | 6,309,252                      |
| -                                 | 406,045                        |
| 20,030                            | 14,088,276                     |
| -                                 | 415,264                        |
| 477,732                           | 3,177,395                      |
| 1,860,957                         | 2,069,578                      |
| <u>2,488,889</u>                  | <u>2,498,750</u>               |
| <u>7,018,853</u>                  | <u>59,803,593</u>              |
| ( 471,393)                        | ( 3,052,166)                   |
| -                                 | 518,704                        |
| -                                 | 331,161                        |
| 869,091                           | 1,285,889                      |
| ( 20,765)                         | ( 1,285,889)                   |
| -                                 | 941,354                        |
| <u>848,326</u>                    | <u>1,791,219</u>               |
| 376,933                           | ( 1,260,947)                   |
| <u>2,011,698</u>                  | <u>39,391,673</u>              |
| <u>\$ 2,388,631</u>               | <u>\$ 38,130,726</u>           |

**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, 2017**

|  |                       |
|--|-----------------------|
| Net change in fund balances - total governmental funds:  | \$( 1,260,947)        |
| 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  | 3,028,332             |
| Less: current year depreciation  | ( 2,200,315)          |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.   | ( 323,415)            |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                       |
| Property taxes   | ( 26,656)             |
| Court fines  | 93,224                |
| Interlocal agreements  | 152,861               |
| Grant revenue  | ( 293,854)            |
| 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   | 2,069,578             |
| Issuance of long-term debt   | ( 941,354)            |
| Amortization of:   |                       |
| Deferred loss on bond refunding  | ( 34,298)             |
| Premium on bond issuance   | 252,296               |
| 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  | ( 54,045)             |
| Compensated absences   | ( 87,751)             |
| OPEB obligation  | ( 736,933)            |
| Net pension liability  | ( 805,088)            |
| 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.  | ( 97,899)             |
| Change in net position of governmental activities  | <u>\$( 1,266,264)</u> |

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

**KAUFMAN COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

|                        | <u>Governmental<br/>Activities<br/>Agency<br/>Funds</u> |
|------------------------|---|
| <b>ASSETS</b>          |   |
| Current assets:        |   |
| Cash                   | \$ <u>5,340,852</u>                                     |
| <br>Total assets       | <br><u>5,340,852</u>                                    |
| <br><b>LIABILITIES</b> |   |
| Due to others          | <u>5,340,852</u>  |
| <br>Total liabilities  | <br><u>\$ 5,340,852</u>                                 |

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

# KAUFMAN COUNTY, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

#### B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Major governmental funds reported by the County are:

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

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

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

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

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

#### **D. Assets, Liabilities, and Net Position or Equity**

##### **Encumbrances**

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

##### **Cash and Investments**

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

##### **Prepaid Items**

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

## Capital Assets

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

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

|                                     |               |
|-------------------------------------|---------------|
| Buildings and building improvements | 10 - 30 years |
| Furniture and equipment             | 3 - 15 years  |
| Vehicles                            | 5 - 10 years  |
| Infrastructure                      | 20 - 50 years |

## Items Capitalized but not Depreciated

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

## Compensated Absences

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

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

## Long-term Obligations

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

## Pensions

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

## Property Taxes

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

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

The combined tax rate for the year ended September 30, 2017, was \$.5887 per \$100 and was allocated as follows:

|                              |                  |
|------------------------------|------------------|
| General Fund                 | \$ 0.4345        |
| Debt Service Fund            | 0.0622           |
| General Road and Bridge Fund | <u>0.0920</u>    |
| Total                        | <u>\$ 0.5887</u> |

## Deferred Outflows/Inflows of Resources

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

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

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

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

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

|                                 | General             | General Road<br>and Bridge | Construction<br>Projects | Nonmajor<br>Governmental | Total                |
|---------------------------------|---------------------|----------------------------|--------------------------|--------------------------|----------------------|
| Property taxes                  | \$ 1,286,166        | \$ 217,196                 | \$ -                     | \$ 128,879               | \$ 1,632,241         |
| Court fines and fees receivable | 1,721,114           | -                          | -                        | -                        | 1,721,114            |
| Interlocal agreements           | -                   | -                          | 9,090,512                | -                        | 9,090,512            |
| Grant funding                   | 105,628             | 124,857                    | -                        | 4,495                    | 234,980              |
| Total                           | <u>\$ 3,112,908</u> | <u>\$ 342,053</u>          | <u>\$ 9,090,512</u>      | <u>\$ 133,374</u>        | <u>\$ 12,678,847</u> |

## **Fund Balance Classification**

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

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

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

## **Net Position**

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

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

## **Estimates**

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

## **New Accounting Principles**

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

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

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

At September 30, 2017, the SCAAP Grant fund and Capital Murder Grant funds had deficit fund balances of \$168 and \$11,400 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, 2017, 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<br/>Average<br/>Maturity (Days)</u> | <u>Credit<br/>Rating</u> |
|--|----------------------|---|--------------------------|
| TexPool Prime                          | \$ <u>29,274,585</u> | 51  | AAAm                     |
| Portfolio weighted<br>average maturity | \$ <u>29,274,585</u> | 51  |                          |

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

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

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

*Custodial Credit Risk* – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits. At September 30, 2017, 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<br/>and Bridge</u> | <u>Construction<br/>Projects</u> | <u>Other<br/>Governmental</u> | <u>Total</u>         |
|---------------------------------------|----------------------|------------------------------------|----------------------------------|-------------------------------|----------------------|
| Receivables:                          |                      |                                    |                                  |                               |                      |
| Taxes                                 | \$ 1,593,502         | \$ 265,503                         | \$ -                             | \$ 158,493                    | \$ 2,017,498         |
| Accounts                              | 47,234               | 875                                | -                                | -                             | 48,109               |
| Adjudicated fine receivable           | 17,211,138           | -                                  | -                                | -                             | 17,211,138           |
| Due from other governments            | <u>271,073</u>       | <u>183,299</u>                     | <u>9,090,512</u>                 | <u>22,184</u>                 | <u>9,567,068</u>     |
| Gross receivables                     | 19,122,947           | 449,677                            | 9,090,512                        | 180,677                       | 28,843,813           |
| Less: allowance for<br>uncollectibles | <u>( 15,643,570)</u> | <u>( 27,954)</u>                   | <u>-</u>                         | <u>( 16,308)</u>              | <u>( 15,687,832)</u> |
| Net total receivables                 | <u>\$ 3,479,377</u>  | <u>\$ 421,723</u>                  | <u>\$ 9,090,512</u>              | <u>\$ 164,369</u>             | <u>\$ 13,155,981</u> |

## C. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2017 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amount</u>    |
|------------------------|-----------------------|------------------|
| General                | Nonmajor governmental | \$ 17,920        |
| Nonmajor governmental  | General               | <u>3,542</u>     |
| Total General          |                       | <u>\$ 21,462</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, 2017, is as follows:

### Primary Government

|   | Beginning<br>Balance | Increases           | Decreases            | Transfers In/<br>Transfers Out | Ending<br>Balance    |
|---|----------------------|---------------------|----------------------|--------------------------------|----------------------|
| <b>Governmental activities:</b>             |                      |                     |                      |                                |                      |
| Capital assets, not being depreciated:      |                      |                     |                      |                                |                      |
| Land  | \$ 2,017,983         | \$ 13,412           | \$ -                 | \$ -                           | \$ 2,031,395         |
| Construction in progress                    | -                    | -                   | -                    | -                              | -                    |
| Public monuments                            | <u>712,736</u>       | <u>-</u>            | <u>-</u>             | <u>-</u>                       | <u>712,736</u>       |
| Total assets not being depreciated          | <u>2,730,719</u>     | <u>13,412</u>       | <u>-</u>             | <u>-</u>                       | <u>2,744,131</u>     |
| Capital assets, being depreciated:          |                      |                     |                      |                                |                      |
| Buildings                                   | 30,350,056           | -                   | -                    | -                              | 30,350,056           |
| Infrastructure                              | 11,575,075           | -                   | -                    | 165,690                        | 11,740,765           |
| Machinery and equipment                     | <u>17,873,197</u>    | <u>2,940,093</u>    | <u>( 1,878,903)</u>  | <u>( 165,690)</u>              | <u>18,768,697</u>    |
| Total capital assets being depreciated      | <u>59,798,328</u>    | <u>2,940,093</u>    | <u>( 1,878,903)</u>  | <u>-</u>                       | <u>60,859,518</u>    |
| Less accumulated depreciation:              |                      |                     |                      |                                |                      |
| Buildings                                   | ( 14,086,147)        | ( 941,004)          | -                    | -                              | ( 15,027,151)        |
| Infrastructure                              | ( 10,265,995)        | ( 261,239)          | -                    | -                              | ( 10,527,234)        |
| Machinery and equipment                     | <u>( 13,070,333)</u> | <u>( 923,245)</u>   | <u>1,555,488</u>     | <u>-</u>                       | <u>( 12,438,090)</u> |
| Total accumulated depreciation              | <u>( 37,422,475)</u> | <u>( 2,125,488)</u> | <u>1,555,488</u>     | <u>-</u>                       | <u>( 37,992,475)</u> |
| Total capital assets being depreciated, net | <u>22,375,853</u>    | <u>814,605</u>      | <u>( 323,415)</u>    | <u>-</u>                       | <u>22,867,043</u>    |
| Governmental activities capital assets, net | <u>\$ 25,106,572</u> | <u>\$ 828,017</u>   | <u>\$ ( 323,415)</u> | <u>\$ -</u>                    | <u>\$ 25,611,174</u> |

Depreciation expense for the year totaled \$2,125,488 and was charged to functions of the government-wide statement of activities as follows:

|                                  |                     |
|----------------------------------|---------------------|
| General government               | \$ 248,041          |
| Judicial                         | 40,940              |
| Public safety and corrections    | 1,061,985           |
| Infrastructure and environmental | 765,286             |
| Health and human services        | 7,498               |
| Community services               | <u>1,738</u>        |
| Total depreciation expense       | <u>\$ 2,125,488</u> |

**E. Operating Leases**

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2017, lease expenditures totaled \$858,729. These expenditures were offset by guaranteed buy-back provisions set forth in the original lease agreements in the amount of \$690,000. The net cost to the County for these operating leases for the year-ended September 30, 2017 was \$168,729. Future minimum operating lease commitments and guaranteed buy-back provisions are as follows:

| <u>Years Ending<br/>September 30,</u> | <u>Lease<br/>Obligation</u> | <u>Guaranteed<br/>Buy-back</u> |
|---------------------------------------|-----------------------------|--------------------------------|
| 2018                                  | \$ 1,350,084                | \$ 1,033,950                   |
| 2019                                  | 102,863                     | -                              |
| Total                                 | <u>\$ 1,452,947</u>         | <u>\$ 1,033,950</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        | \$ 1,465,232        |
| Less: accumulated depreciation | ( 274,594)          |
| Total                          | <u>\$ 1,190,638</u> |

The depreciation expense related to these leases for the year ended September 30, 2017, was \$98,003.

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, 2017:

| <u>Years Ending<br/>September 30,</u>       |                         |
|---|-------------------------|
| 2018  | \$ 318,430              |
| 2019  | 294,234                 |
| 2020  | 283,846                 |
| 2021  | 133,181                 |
| 2022  | <u>55,578</u>           |
| Total minimum lease payments                | 1,085,269               |
| Less: amount representing interest          | <u>( 64,387)</u>        |
| <br>Present value of minimum lease payments | <br><u>\$ 1,020,882</u> |

### **G. Long-term Debt**

During the year ended September 30, 2017, the following changes occurred in a long-term debt:

|                                    | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|------------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities:           |                              |                     |                       |                           |                                |
| General obligation refunding bonds | \$ 9,495,000                 | \$ -                | \$( 1,455,000)        | \$ 8,040,000              | \$ 1,500,000                   |
| Unlimited tax road bonds           | 52,808,850                   | -                   | -                     | 52,808,850                | -                              |
| Tax note                           | 85,000                       | -                   | ( 30,000)             | 55,000                    | 30,000                         |
| Loans payable                      | 4,237,910                    | -                   | ( 391,592)            | 3,846,318                 | 399,626                        |
| Bond premiums                      | 4,482,651                    | -                   | ( 252,296)            | 4,230,355                 | -                              |
| Accreted interest on bonds         | 123,596                      | 54,045              | -                     | 177,641                   | -                              |
| Compensated absences               | 1,296,309                    | 1,562,486           | ( 1,474,735)          | 1,384,060                 | 207,609                        |
| OPEB obligation                    | 6,054,621                    | 1,099,692           | ( 362,759)            | 6,791,554                 | -                              |
| Net pension liability              | 5,940,430                    | 2,926,486           | ( 2,156,833)          | 6,710,083                 | -                              |
| Capital leases                     | <u>272,514</u>               | <u>941,354</u>      | <u>( 192,986)</u>     | <u>1,020,882</u>          | <u>288,060</u>                 |
| Total governmental activities      | <u>\$ 84,796,881</u>         | <u>\$ 6,584,063</u> | <u>\$( 6,316,201)</u> | <u>\$ 85,064,743</u>      | <u>\$ 2,425,295</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, 2017, are as follows:

### General Obligation Bonds

| <u>Years Ending<br/>September 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total<br/>Requirements</u> |
|---------------------------------------|---------------------|-------------------|-------------------------------|
| 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                                  | 1,665,000           | 76,575            | 1,741,575                     |
| 2022                                  | <u>1,720,000</u>    | <u>25,800</u>     | <u>1,745,800</u>              |
| Total                                 | <u>\$ 8,040,000</u> | <u>\$ 619,650</u> | <u>\$ 8,659,650</u>           |

On February 1, 2014, the County issued Unlimited Tax Road Bonds, Series 2014. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County.

On September 1, 2016, the County issued Unlimited Tax Road Bonds, Series 2016. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County. The annual requirements for all unlimited tax road bonds outstanding at September 30, 2016, are as follows:

### Unlimited Tax Road Bonds

| <u>Years Ending<br/>September 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total<br/>Requirements</u> |
|---------------------------------------|----------------------|----------------------|-------------------------------|
| 2018                                  | \$ -                 | \$ 2,218,225         | \$ 2,218,225                  |
| 2019                                  | 381,560              | 2,217,325            | 2,598,885                     |
| 2020                                  | 695,008              | 2,210,075            | 2,905,083                     |
| 2021                                  | 792,160              | 2,196,425            | 2,988,585                     |
| 2022                                  | 909,370              | 2,180,675            | 3,090,045                     |
| 2023-2027                             | 15,066,902           | 10,156,150           | 25,223,052                    |
| 2028-2032                             | 19,290,000           | 5,199,788            | 24,489,788                    |
| 2033-2037                             | 14,285,000           | 1,536,788            | 15,821,788                    |
| 2038                                  | <u>1,900,000</u>     | <u>38,000</u>        | <u>1,938,000</u>              |
| Total                                 | 53,320,000           | <u>\$ 27,953,451</u> | <u>\$ 81,273,451</u>          |
| Less: interest accretion on bonds     | <u>( 511,150)</u>    |                      |                               |
|                                       | <u>\$ 52,808,850</u> |                      |                               |

In December 2013, the County issued Tax Notes, Series 2013. These tax notes were issued to fund construction, design, and furniture and equipment purchases for the regional 9-1-1 call center. The annual requirements for the Tax Note outstanding at September 30, 2017, are as follows:

**Tax Note**

| <u>Years Ending<br/>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total<br/>Requirements</u> |
|---------------------------------------|------------------|-----------------|-------------------------------|
| 2018                                  | \$ 30,000        | \$ 625          | \$ 30,625                     |
| 2019                                  | <u>25,000</u>    | <u>200</u>      | <u>25,200</u>                 |
| Total                                 | <u>\$ 55,000</u> | <u>\$ 825</u>   | <u>\$ 55,825</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 2016 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, 2017, are as follows:

**Loans Payable**

| <u>Years Ending<br/>September 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total<br/>Requirements</u> |
|---------------------------------------|---------------------|-------------------|-------------------------------|
| 2018                                  | \$ 399,626          | \$ 95,817         | \$ 495,443                    |
| 2019                                  | 407,741             | 86,428            | 494,169                       |
| 2020                                  | 415,942             | 76,843            | 492,785                       |
| 2021                                  | 429,230             | 67,062            | 496,292                       |
| 2022                                  | 419,310             | 57,023            | 476,333                       |
| 2023-2027                             | <u>1,774,469</u>    | <u>141,024</u>    | <u>1,915,493</u>              |
| Total                                 | <u>\$ 3,846,318</u> | <u>\$ 524,197</u> | <u>\$ 4,370,515</u>           |

**H. Contingent Liabilities**

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

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

**I. Interfund Transfers**

Interfund transfers for the fiscal year ending September 30, 2017, are summarized below:

| <u>Transfer from</u>  | <u>Transfer to</u>    | <u>Amounts</u>      |
|-----------------------|-----------------------|---------------------|
| General               | Nonmajor governmental | \$ 854,887          |
| General               | Road and Bridge       | 410,237             |
| Nonmajor governmental | Nonmajor governmental | 14,204              |
| Nonmajor governmental | General               | <u>6,561</u>        |
|                       |                       | <u>\$ 1,285,889</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](http://www.tcdrs.org).

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

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

Members can retire at age 60 and above with 8 or more years of service, with 20 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. By law, employee accounts earn 7% interest. 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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

|  |              |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 247          |
| Inactive employees entitled to but not yet receiving benefits    | 307          |
| Active employees   | <u>530</u>   |
|  | <u>1,084</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 9.25% and 9.21% in calendar years 2016 and 2017, respectively. The County’s contributions to TCDRS for the year ended September 30, 2017, were \$2,110,610, and were equal to the required contributions.

**Net Pension Liability.** The County’s Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016, 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 |

The County/District has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County/District may elect an ad-hoc COLA for its retirees.

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

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

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2016 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The 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 2017 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:

| <b>Asset Class</b>                 | <b>Benchmark</b>   | <b>Target Allocation <sup>(1)</sup></b> | <b>Geometric Real Rate of Return <sup>(2)</sup></b> |
|------------------------------------|--|---|---|
| US Equities                        | Dow Jones U.S. Total Stock Market Index  | 13.50%                                  | 4.70%   |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>  | 16.00%                                  | 7.70%   |
| Global Equities                    | MSCI World (net) Index   | 1.50%                                   | 5.00%   |
| International Equities - Developed | MSCI World Ex USA (net)  | 10.00%                                  | 4.70%   |
| International Equities - Emerging  | MSCI EM Standard (net) Index   | 7.00%                                   | 5.70%   |
| Investment-Grade Bonds             | Bloomberg Barclays U.S. Aggregate Bond Index                                       | 3.00%                                   | 0.60%   |
| High-Yield Bonds                   | Citigroup High-Yield Cash-Pay Capped Index   | 3.00%                                   | 3.70%   |
| Opportunistic Credit               | Citigroup High-Yield Cash-Pay Capped Index   | 2.00%                                   | 3.83%   |
| Direct Lending                     | S&P/LSTA Leveraged Loan Index  | 10.00%                                  | 8.15%   |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index <sup>(4)</sup>                    | 3.00%                                   | 6.70%   |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index | 2.00%                                   | 3.85%   |
| Master Limited Partnerships (MLPs) | Alerian MLP Index  | 3.00%                                   | 5.60%   |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index <sup>(5)</sup>                              | 6.00%                                   | 7.20%   |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index                     | 20.00%                                  | 3.85%   |

<sup>(1)</sup> Target asset allocation adopted at the April 2017 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> 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<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|  | (a)                        | (b)                            | (a) - (b)                |
| Balance at 12/31/2015                              | \$ 71,005,199              | \$ 65,064,768                  | \$ 5,940,431             |
| Changes for the year:                              |                            |                                |                          |
| Service cost                                       | 3,065,258                  | -                              | 3,065,258                |
| Interest on total pension liability <sup>(1)</sup> | 5,728,468                  | -                              | 5,728,468                |
| Effect of economic/demographic gains or losses     | 975,056                    | -                              | 975,056                  |
| Refund of contributions                            | ( 223,744)                 | ( 223,744)                     | -                        |
| Benefit payments                                   | ( 3,419,512)               | ( 3,419,512)                   | -                        |
| Administrative expenses                            | -                          | ( 52,386)                      | 52,386                   |
| Member contributions                               | -                          | 1,632,185                      | ( 1,632,185)             |
| Net investment income                              | -                          | 4,810,216                      | ( 4,810,216)             |
| Employer contributions                             | -                          | 2,156,826                      | ( 2,156,826)             |
| Other <sup>(3)</sup>                               | -                          | 452,289                        | ( 452,289)               |
| Balance at 12/31/2016                              | <u>\$ 77,130,725</u>       | <u>\$ 70,420,642</u>           | <u>\$ 6,710,083</u>      |

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

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> 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:

|                               | Current              |                       |                        |
|-------------------------------|----------------------|-----------------------|------------------------|
|                               | 1% Decrease<br>7.1%  | Discount Rate<br>8.1% | 1% Increase<br>9.1%    |
| Total pension liability       | \$ 87,698,879        | \$ 77,130,725         | \$ 68,450,515          |
| Fiduciary net position        | <u>70,420,642</u>    | <u>70,420,642</u>     | <u>70,420,642</u>      |
| Net pension liability/(asset) | <u>\$ 17,278,237</u> | <u>\$ 6,710,083</u>   | <u>\$ ( 1,970,127)</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](http://www.tcdrs.org).

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

For the year ended September 30, 2017, the County recognized pension expense of \$2,915,689.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience     | \$ 780,045                                    | \$ 862,792                                   |
| Changes in actuarial assumptions                                | 476,114                                       | -  |
| Net difference between projected and actual investment earnings | 4,126,290                                     | -  |
| Contributions made subsequent to the measurement date           | <u>1,543,231</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 6,925,680</u>                           | <u>\$ 862,792</u>                            |

\$1,543,231 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

| <u>Year Ended<br/>September 30,</u> |              |
|-------------------------------------|--------------|
| 2018                                | \$ 1,445,966 |
| 2019                                | 1,445,966    |
| 2020                                | 1,336,372    |
| 2021                                | 291,353      |

**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 2017 were \$362,759. 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 2017 ranges from \$775 to \$1,520 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, 2017, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation.

|  |                     |
|--|---------------------|
| Annual required contribution               | \$ 1,093,436        |
| Interest on net OPEB obligation            | 242,185             |
| Adjustment to the ARC                      | ( 235,929)          |
| Annual OPEB cost                           | 1,099,692           |
| Contributions made                         | ( 362,759)          |
| Increase (decrease) in net OPEB obligation | 736,933             |
| Net OPEB obligation/(asset), beginning     | <u>6,054,621</u>    |
| Net OPEB obligation/(asset), ending        | <u>\$ 6,791,554</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Employer<br/>Amount<br/>Contributed</u> | <u>Percentage of<br/>Annual OPEB<br/>Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|-------------------------------|---------------------------------|--|--|------------------------------------|
| 9/30/2015                     | \$ 1,054,083                    | \$ 269,450                                 | 25.6%  | \$ 5,295,204                       |
| 9/30/2016                     | 1,087,853                       | 328,436                                    | 30.2%  | 6,054,621                          |
| 9/30/2017                     | 1,099,692                       | 362,759                                    | 33.0%  | 6,791,554                          |

### **Funded Status and Funding Progress**

As of December 31, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10,569,476, all of which was unfunded. There are no valuation assets available to offset the liabilities of the plan.

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 12/31/2016                              | \$ -                                     | \$ 10,569,476  | \$ 10,569,476                      | - %                     | \$ 20,169,694              | 52.40%   |

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         | Individual Entry Age Normal Cost Method                    |
| Amortization method           | Level percent of payroll                                   |
| Remaining amortization period | 30 years; open   |
| Asset valuation method        | Market Value   |
| Actuarial assumptions:        |  |
| Investment rate of return     | 4.0%   |
| Payroll growth rate           | 3.0%   |
| Projected salary increases    | 3.0%   |
| General inflation rate        | 2.5%   |
| Health care cost trend rate   | 7.5% declining to an ultimate rate of 5.25% after 11 years |

### **C. Risk Management**

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

### **D. Tax Abatements**

The County enters into economic development agreements designed to promote development and redevelopment within the County, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the County. The County's economic development agreements are authorized under Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the County, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations or bringing targeted business to the County. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The County has also entered into one agreement under State County Development and Growth, Chapter 381 of the Texas Local Government Code that will rebate a percentage of property taxes.

In fiscal year 2017, the County abated property tax revenue totaling \$89,063 for seven entities. In addition, the County made Chapter 381 property tax rebates of \$151,245 for one entity.

**E. Related Party Transactions**

During the 2017 fiscal year, the County received services from a company owned by a relative of a member of Commissioners Court. The contract was approved by Commissioners Court and the Commissioner abstained from that vote. Total payments to the vendor for the fiscal year were \$182,694.

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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, 2017**

| <b>Plan Year Ended December 31</b>                                   | <b>2016</b>                | <b>2015</b>                | <b>2014</b>                |
|--|----------------------------|----------------------------|----------------------------|
| <b>Total Pension Liability</b>                                       |                            |                            |                            |
| Service Cost   | \$ 3,065,258               | \$ 2,644,182               | \$ 2,762,499               |
| Interest total pension liability                                     | 5,728,468                  | 5,436,268                  | 5,087,347                  |
| Effect of plan changes   | -                          | ( 581,498)                 | -                          |
| Effect of assumption changes or inputs                               | -                          | 793,523                    | -                          |
| Effect of economic/demographic<br>(gains) or losses                  | 975,056                    | ( 1,233,372)               | ( 306,924)                 |
| Benefit payments/refunds<br>of contributions                         | ( 3,643,256)               | ( 3,468,516)               | ( 3,101,049)               |
| Net change in total pension liability                                | 6,125,526                  | 3,590,587                  | 4,441,873                  |
| Total pension liability - beginning                                  | <u>71,005,199</u>          | <u>67,414,612</u>          | <u>62,972,739</u>          |
| Total pension liability - ending (a)                                 | \$ <u>77,130,725</u>       | \$ <u>71,005,199</u>       | \$ <u>67,414,612</u>       |
| <b>Plan Fiduciary Net Position</b>                                   |                            |                            |                            |
| Employer contributions   | \$ 2,156,826               | \$ 1,967,249               | \$ 1,948,436               |
| Member contributions   | 1,632,185                  | 1,464,973                  | 1,415,395                  |
| Investment income net of<br>investment expenses                      | 4,810,216                  | ( 320,384)                 | 4,146,388                  |
| Benefit payments/refunds of<br>contributions                         | ( 3,643,256)               | ( 3,468,516)               | ( 3,101,049)               |
| Administrative expenses  | ( 52,386)                  | ( 46,996)                  | ( 48,743)                  |
| Other  | <u>452,289</u>             | <u>49,879</u>              | <u>40,434</u>              |
| Net change in plan fiduciary net position                            | 5,355,874                  | ( 353,795)                 | 4,400,861                  |
| Plan fiduciary net position - beginning                              | <u>65,064,768</u>          | <u>65,418,563</u>          | <u>61,017,702</u>          |
| Plan fiduciary net position - ending (b)                             | \$ <u>70,420,642</u>       | \$ <u>65,064,768</u>       | \$ <u>65,418,563</u>       |
| Net pension liability - ending (a) - (b)                             | \$ <u><u>6,710,083</u></u> | \$ <u><u>5,940,431</u></u> | \$ <u><u>1,996,049</u></u> |
| Fiduciary net position as a percentage<br>of total pension liability | 91.30%                     | 91.63%                     | 97.04%                     |
| Pensionable covered payroll  | \$ 23,316,925              | \$ 20,928,191              | \$ 20,111,254              |
| Net pension liability as a percentage<br>of covered payroll          | 28.78%                     | 28.38%                     | 9.93%                      |

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

**KAUFMAN COUNTY, TEXAS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| <b><u>Fiscal Year<br/>Ended<br/>September 30,</u></b> | <b><u>Actuarially<br/>Determined<br/>Contribution</u></b> | <b><u>Actual<br/>Employer<br/>Contribution</u></b> | <b><u>Contribution<br/>Deficiency<br/>(Excess)</u></b> | <b><u>Pensionable<br/>Covered<br/>Payroll</u></b> | <b><u>Actual Contribution<br/>as a % of Covered<br/>Payroll</u></b> |
|---|---|--|--|---|---|
| 2014  | \$ 1,943,276  | \$ 1,943,276                                       | \$ -   | \$ 20,264,138                                     | 9.6%  |
| 2015  | 1,948,005   | 1,948,005  | -  | 20,597,590  | 9.5%  |
| 2016  | 2,065,400   | 2,065,400  | -  | 22,246,549  | 9.3%  |
| 2017  | 2,110,610   | 2,110,610  | -  | 22,889,854  | 9.2%  |

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

**KAUFMAN COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Notes to Schedule**

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

**Moths and assumptions used to determine contribution rates:**

|   |  |
|---|--|
| Actuarial Cost Method                                 | Entry Age  |
| Amortization Method                                   | Level percentage of payroll, closed  |
| Remaining Amortization Period                         | 13.9 years (based on contribution rate calculated in 12/31/2016 valuation)   |
| Asset Valuation Method                                | 5-year smoothed market   |
| Inflation   | 3.00%  |
| Salary Increases                                      | Varies by age and service, 4.9% average over career including inflation.   |
| Investment Rate of Return                             | 8.00%, net of investment expenses, including inflation   |
| Retirement Age  | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.  |
| Mortality   | In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014. |
| Changes in Plan Provisions Reflected in the Schedule* | No changes in plan provisions are reflected in the Schedule of Employer Contributions.   |

**KAUFMAN COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 12/31/2016                              | \$ -                                     | \$ 10,569,476  | \$ 10,569,476                      | - %                     | \$ 20,169,694              | 52.40%   |
| 12/31/2014                              | -  | 7,620,206  | 7,620,206                          | - %                     | 20,111,254                 | 37.89%   |
| 12/31/2012                              | -  | 6,724,843  | 6,724,843                          | - %                     | 20,253,654                 | 33.20%   |

**KAUFMAN COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                            | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|----------------------------|-------------------|-------------------|-------------------|---|
|                            | Original          | Final             |                   |   |
| <b>REVENUES</b>            |                   |                   |                   |   |
| Property taxes             | \$ 31,115,704     | \$ 31,119,449     | \$ 31,043,355     | \$( 76,094)   |
| Mixed beverage taxes       | 120,000           | 120,000           | 142,383           | 22,383  |
| License and permits        | 40,100            | 40,100            | 77,328            | 37,228  |
| Fees of office             | 3,453,790         | 3,456,514         | 3,895,904         | 439,390   |
| Charges for service        | 493,626           | 1,299,626         | 1,357,764         | 58,138  |
| Intergovernmental          | 3,567,495         | 3,277,608         | 3,469,604         | 191,996   |
| Investment income          | 53,600            | 53,600            | 110,742           | 57,142  |
| Miscellaneous              | 81,500            | 91,424            | 232,859           | 141,435   |
| Total revenues             | <u>38,925,815</u> | <u>39,458,321</u> | <u>40,329,939</u> | <u>871,618</u>  |
| <b>EXPENDITURES</b>        |                   |                   |                   |   |
| Current:                   |                   |                   |                   |   |
| General Government:        |                   |                   |                   |   |
| County Clerk               | 768,807           | 768,807           | 743,343           | 25,464  |
| County Service Officer     | 49,747            | 49,747            | 41,395            | 8,352   |
| General Government         | 7,558,263         | 7,198,954         | 6,899,886         | 299,068   |
| Voter's Registration       | 64,430            | 64,430            | 58,403            | 6,027   |
| Emergency Management       | 151,842           | 180,192           | 174,725           | 5,467   |
| Collections                | 75,000            | 114,620           | 97,842            | 16,778  |
| District Clerk             | 547,892           | 547,892           | 456,929           | 90,963  |
| Election Expense           | 275,903           | 276,903           | 258,973           | 17,930  |
| County Auditor             | 340,648           | 340,648           | 333,294           | 7,354   |
| Purchasing Agent           | 202,893           | 208,749           | 156,013           | 52,736  |
| County Treasurer           | 178,654           | 178,754           | 176,161           | 2,593   |
| Human Resources            | 154,276           | 154,276           | 132,295           | 21,981  |
| Tax Collector              | 959,813           | 959,813           | 947,246           | 12,567  |
| Maintenance and Operations | 1,112,134         | 1,122,146         | 1,049,089         | 73,057  |
| Utilities                  | 471,550           | 523,826           | 522,303           | 1,523   |
| Tobacco Settlement         | 27,502            | 27,502            | -                 | 27,502  |
| General Right of Way       | 5,390             | 5,390             | -                 | 5,390   |
| Probate Education          | 4,800             | 4,800             | 1,155             | 3,645   |
| Extension Service          | 283,735           | 291,255           | 289,340           | 1,915   |
| Project/Program Manager    | 58,016            | 58,016            | 53,295            | 4,721   |
| Lake Dam Maintenance       | 15,495            | 15,495            | 7,250             | 8,245   |
| Computer                   | 853,749           | 867,112           | 853,709           | 13,403  |
| Probate and Lunacy         | 53,250            | 53,250            | 52,717            | 533   |
| Information Technology     | 389,132           | 389,132           | 383,143           | 5,989   |
| Total General Government   | <u>14,602,921</u> | <u>14,401,709</u> | <u>13,688,506</u> | <u>713,203</u>  |

# KAUFMAN COUNTY, TEXAS

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

### GENERAL FUND

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|------------|-------------------|---|
|   | Original         | Final      |                   |   |
| Public Safety                           |                  |            |                   |   |
| Judicial and Law Enforcement            | \$ 217,510       | \$ 217,510 | \$ 195,279        | \$ 22,231   |
| Fire Marshal                            | 228,419          | 228,419    | 207,751           | 20,668  |
| Constable Precinct 1                    | 144,564          | 140,868    | 134,292           | 6,576   |
| Constable Precinct 2                    | 195,028          | 213,396    | 198,922           | 14,474  |
| Constable Precinct 3                    | 153,699          | 177,139    | 172,644           | 4,495   |
| Constable Precinct 4                    | 182,897          | 182,897    | 175,023           | 7,874   |
| Sheriff's Fund                          | 5,787,204        | 5,642,443  | 5,349,761         | 292,682   |
| Jail Expense                            | 7,274,669        | 7,618,537  | 7,250,458         | 368,079   |
| School Officers                         | 417,331          | 417,331    | 405,328           | 12,003  |
| 911 Regional Call Center                | 1,699,871        | 1,324,371  | 1,264,289         | 60,082  |
| FWSD #1C - Windmill Farms               | 56,295           | 56,295     | 43,529            | 12,766  |
| Highway Patrol                          | 87,435           | 87,435     | 86,460            | 975   |
| DPS License and Weight                  | 7,700            | 7,700      | 6,954             | 746   |
| Juvenile Probation                      | 12,600           | 12,600     | 7,094             | 5,506   |
| Total Public Safety                     | 16,465,222       | 16,326,941 | 15,497,784        | 806,926   |
| Judicial                                |                  |            |                   |   |
| County Judge                            | 254,885          | 256,385    | 255,883           | 502   |
| County Court at Law #2                  | 338,206          | 338,206    | 331,276           | 6,930   |
| County Court at Law #1                  | 402,133          | 402,133    | 390,981           | 11,152  |
| Public Defender                         | 533,523          | 533,523    | 519,034           | 14,489  |
| 422nd District Court                    | 224,465          | 229,021    | 225,409           | 3,612   |
| District Attorney                       | 2,300,808        | 2,313,808  | 2,273,895         | 39,913  |
| 86th District Court                     | 194,531          | 194,531    | 172,664           | 21,867  |
| Justice of the Peace #1                 | 221,381          | 223,357    | 219,379           | 3,978   |
| Justice of the Peace #2                 | 231,021          | 231,021    | 229,210           | 1,811   |
| Justice of the Peace #3                 | 276,159          | 276,159    | 268,909           | 7,250   |
| Justice of the Peace #4                 | 238,143          | 238,143    | 232,205           | 5,938   |
| Jury Fund                               | 24,500           | 25,372     | 25,372            | -   |
| Charities Poor and Relief               | 633,000          | 646,536    | 646,533           | 3   |
| Total Judicial                          | 5,872,755        | 5,908,195  | 5,790,750         | 117,445   |
| Community Services                      |                  |            |                   |   |
| General Government - Community Services | 100,460          | 100,460    | 100,460           | -   |
| Precinct 1 Solid Waste                  | 121,819          | 121,819    | 86,295            | 35,524  |
| Library                                 | 188,594          | 220,922    | 219,290           | 1,632   |
| Total Community Services                | 410,873          | 443,201    | 406,045           | 37,156  |

**KAUFMAN COUNTY, TEXAS**

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

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | Budgeted Amounts    |                     | Actual              | Variance with                            |
|--|---------------------|---------------------|---------------------|--|
|  | Original            | Final               | Amounts             | Final Budget -<br>Positive<br>(Negative) |
| Infrastructure and Environmental Services                            |                     |                     |                     |  |
| Public Works   | \$ 216,801          | \$ 248,131          | \$ 223,553          | \$ 24,578                                |
| Environmental Enforcement  | 139,921             | 139,921             | 130,904             | 9,017                                    |
| Precinct 4 Convenience Station                                       | <u>58,427</u>       | <u>58,427</u>       | <u>55,743</u>       | <u>2,684</u>                             |
| Total Infrastructure and<br>Environmental Services                   | <u>415,149</u>      | <u>446,479</u>      | <u>410,200</u>      | <u>36,279</u>                            |
| Health and Human Services  |                     |                     |                     |  |
| General Government - Health and<br>Human Services                    | 93,700              | 93,700              | 92,648              | 1,052                                    |
| Indigent Health Care   | <u>441,841</u>      | <u>441,841</u>      | <u>322,616</u>      | <u>119,225</u>                           |
| Total Health and Human Services                                      | <u>535,541</u>      | <u>535,541</u>      | <u>415,264</u>      | <u>120,277</u>                           |
| Capital outlay   | 625,445             | 834,062             | 575,518             | 258,544                                  |
| Debt service:  |                     |                     |                     |  |
| Principal  | 15,637              | 15,637              | 15,636              | 1  |
| Interest and fiscal charges  | <u>2,662</u>        | <u>2,662</u>        | <u>2,662</u>        | <u>-</u>                                 |
| Total expenditures   | <u>38,946,205</u>   | <u>38,914,427</u>   | <u>36,802,365</u>   | <u>2,112,062</u>                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 20,390)</u>    | <u>543,894</u>      | <u>3,527,574</u>    | <u>2,983,680</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                     |  |
| Sale of capital assets   | 50,000              | 50,000              | -                   | ( 50,000)                                |
| Insurance recoveries   | -                   | 53,060              | 270,907             | 217,847                                  |
| Transfers in   | 107,983             | 107,983             | 6,561               | ( 101,422)                               |
| Transfers out  | <u>( 622,152)</u>   | <u>( 1,262,077)</u> | <u>( 1,265,124)</u> | <u>( 3,047)</u>                          |
| Total other financing sources (uses)                                 | <u>( 464,169)</u>   | <u>( 1,051,034)</u> | <u>( 987,656)</u>   | <u>63,378</u>                            |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <u>( 484,559)</u>   | <u>( 507,140)</u>   | <u>2,539,918</u>    | <u>3,047,058</u>                         |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>2,415,603</u>    | <u>2,415,603</u>    | <u>2,415,603</u>    | <u>-</u>                                 |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 1,931,044</u> | <u>\$ 1,908,463</u> | <u>\$ 4,955,521</u> | <u>\$ 3,047,058</u>                      |

**KAUFMAN COUNTY, TEXAS**

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

**GENERAL ROAD AND BRIDGE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Property taxes   | \$ 6,529,856        | \$ 6,529,856        | \$ 6,415,090        | \$( 114,766)  |
| Fees of office   | 2,100,800           | 2,100,800           | 1,960,851           | ( 139,949)  |
| Charges for service  | -                   | -                   | 17,011              | 17,011  |
| Intergovernmental  | 534,700             | 714,622             | 762,066             | 47,444  |
| Investment income  | 19,605              | 19,605              | 21,145              | 1,540   |
| Miscellaneous  | 1,100               | 111,100             | 125,707             | 14,607  |
| Total revenues   | <u>9,186,061</u>    | <u>9,475,983</u>    | <u>9,301,870</u>    | <u>( 174,113)</u>   |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Infrastructure and Environmental                                     |                     |                     |                     |   |
| Maintenance  | 25,000              | 25,000              | 44,271              | ( 19,271)   |
| Precinct 1   | 3,529,290           | 3,734,357           | 2,431,531           | 1,302,826   |
| Precinct 2   | 2,115,449           | 1,990,449           | 1,113,975           | 876,474   |
| Precinct 3   | 3,643,677           | 3,378,946           | 2,127,853           | 1,251,093   |
| Precinct 4   | 3,284,707           | 3,565,728           | 2,332,678           | 1,233,050   |
| Capital outlay   | 896,634             | 1,532,839           | 2,124,145           | ( 591,306)  |
| Debt service   |                     |                     |                     |   |
| Principal  | 116,337             | 193,042             | 192,985             | 57  |
| Interest and fiscal charges  | 6,063               | 6,813               | 6,797               | 16  |
| Total expenditures   | <u>13,617,157</u>   | <u>14,427,174</u>   | <u>10,374,235</u>   | <u>4,052,939</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 4,431,096)</u> | <u>( 4,951,191)</u> | <u>( 1,072,365)</u> | <u>3,878,826</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                     |   |
| Sale of capital assets   | 1,862,000           | 1,862,000           | 518,704             | ( 1,343,296)  |
| Insurance Recoveries   | -                   | 60,541              | 60,254              | ( 287)  |
| Transfers in   | -                   | 410,238             | 410,237             | ( 1)  |
| Issuance of capital lease  | -                   | -                   | 941,354             | 941,354   |
| Total other financing sources (uses)                                 | <u>1,862,000</u>    | <u>2,332,779</u>    | <u>1,930,549</u>    | <u>( 402,230)</u>   |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <u>( 2,569,096)</u> | <u>( 2,618,412)</u> | <u>858,184</u>      | <u>3,476,596</u>  |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>3,359,207</u>    | <u>3,359,207</u>    | <u>3,359,207</u>    | <u>-</u>  |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 790,111</u>   | <u>\$ 740,795</u>   | <u>\$ 4,217,391</u> | <u>\$ 3,476,596</u>                                       |

# KAUFMAN COUNTY, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

### **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, 2017**

|  | Special Revenue                   |                                 |                                     |                |
|--|-----------------------------------|---------------------------------|-------------------------------------|----------------|
|  | Sheriff<br>Federal<br>Forfeitures | Sheriff<br>State<br>Forfeitures | District<br>Attorney<br>Forfeitures | Law<br>Library |
| <b>ASSETS</b>  |                                   |                                 |                                     |                |
| Cash and cash equivalents  | \$ 46,796                         | \$ 65,263                       | \$ 32,790                           | \$ 204,270     |
| Receivables:   |                                   |                                 |                                     |                |
| Taxes  | -                                 | -                               | -                                   | -              |
| Due from other governments   | -                                 | -                               | -                                   | -              |
| Due from other funds   | -                                 | -                               | -                                   | -              |
| Total assets   | 46,796                            | 65,263                          | 32,790                              | 204,270        |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                                   |                                 |                                     |                |
| Liabilities:   |                                   |                                 |                                     |                |
| Accounts payable   | -                                 | -                               | 1,800                               | 7,215          |
| Accrued liabilities  | -                                 | -                               | -                                   | 743            |
| Due to other funds   | -                                 | -                               | 131                                 | -              |
| Deferred revenue   | -                                 | -                               | -                                   | -              |
| Total liabilities  | -                                 | -                               | 1,931                               | 7,958          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                                   |                                 |                                     |                |
| Unavailable revenue  | -                                 | -                               | -                                   | -              |
| Total deferred outflows  | -                                 | -                               | -                                   | -              |
| <b>FUND BALANCES</b>   |                                   |                                 |                                     |                |
| Restricted for:  |                                   |                                 |                                     |                |
| Public safety  | 46,796                            | 65,263                          | -                                   | -              |
| Judicial   | -                                 | -                               | 30,859                              | 196,312        |
| Fire code enforcement  | -                                 | -                               | -                                   | -              |
| Historical preservation  | -                                 | -                               | -                                   | -              |
| Records management and preservation                                    | -                                 | -                               | -                                   | -              |
| Court technology and security  | -                                 | -                               | -                                   | -              |
| Debt service   | -                                 | -                               | -                                   | -              |
| Other purposes   | -                                 | -                               | -                                   | -              |
| Unassigned   | -                                 | -                               | -                                   | -              |
| Total fund balances  | 46,796                            | 65,263                          | 30,859                              | 196,312        |
| Total liabilities, deferred inflows<br>of resources, and fund balances | \$ 46,796                         | \$ 65,263                       | \$ 32,790                           | \$ 204,270     |

Special Revenue

| Voter<br>Registration | Juvenile<br>Probation | Appellate<br>Justice<br>System | Records<br>Management | Library<br>Memorials | Courthouse<br>Security | Records<br>Management &<br>Preservation |
|-----------------------|-----------------------|--------------------------------|-----------------------|----------------------|------------------------|---|
| \$ 4,252              | \$ 77,199             | \$ 18,931                      | \$ 456,808            | \$ 2,447             | \$ 132,066             | \$ 26,627                               |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| 4,495                 | -                     | -                              | -                     | -                    | -                      | -                                       |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| <u>8,747</u>          | <u>77,199</u>         | <u>18,931</u>                  | <u>456,808</u>        | <u>2,447</u>         | <u>132,066</u>         | <u>26,627</u>                           |
| -                     | 1,532                 | -                              | 7,201                 | -                    | 3,237                  | -                                       |
| -                     | 21,730                | -                              | 2,516                 | -                    | -                      | -                                       |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| <u>-</u>              | <u>23,262</u>         | <u>-</u>                       | <u>9,717</u>          | <u>-</u>             | <u>3,237</u>           | <u>-</u>                                |
| 4,495                 | -                     | -                              | -                     | -                    | -                      | -                                       |
| <u>4,495</u>          | <u>-</u>              | <u>-</u>                       | <u>-</u>              | <u>-</u>             | <u>-</u>               | <u>-</u>                                |
| -                     | 53,937                | -                              | -                     | -                    | -                      | -                                       |
| -                     | -                     | 18,931                         | -                     | -                    | -                      | -                                       |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| -                     | -                     | -                              | -                     | 2,447                | -                      | -                                       |
| -                     | -                     | -                              | 447,091               | -                    | -                      | 26,627                                  |
| -                     | -                     | -                              | -                     | -                    | 128,829                | -                                       |
| -                     | -                     | -                              | -                     | -                    | -                      | -                                       |
| 4,252                 | -                     | -                              | -                     | -                    | -                      | -                                       |
| <u>-</u>              | <u>-</u>              | <u>-</u>                       | <u>-</u>              | <u>-</u>             | <u>-</u>               | <u>-</u>                                |
| <u>4,252</u>          | <u>53,937</u>         | <u>18,931</u>                  | <u>447,091</u>        | <u>2,447</u>         | <u>128,829</u>         | <u>26,627</u>                           |
| <u>\$ 8,747</u>       | <u>\$ 77,199</u>      | <u>\$ 18,931</u>               | <u>\$ 456,808</u>     | <u>\$ 2,447</u>      | <u>\$ 132,066</u>      | <u>\$ 26,627</u>                        |

**KAUFMAN COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Special Revenue   |                   |                           |                             |
|--|---|-------------------|---------------------------|-----------------------------|
|  | District Clerk<br>Records<br>Management &<br>Preservation | Fire<br>Code      | CCL<br>Diversion<br>Court | 422nd<br>Diversion<br>Court |
| <b>ASSETS</b>  |   |                   |                           |                             |
| Cash and cash equivalents  | \$ 42,538   | \$ 197,005        | \$ 48,744                 | \$ 32,324                   |
| Receivables:   |   |                   |                           |                             |
| Taxes  | -   | -                 | -                         | -                           |
| Due from other governments   | -   | -                 | -                         | -                           |
| Due from other funds   | -   | -                 | 1,771                     | 1,771                       |
| Total assets   | <u>42,538</u>   | <u>197,005</u>    | <u>50,515</u>             | <u>34,095</u>               |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |   |                   |                           |                             |
| Liabilities:   |   |                   |                           |                             |
| Accounts payable   | -   | 11,013            | 465                       | -                           |
| Accrued liabilities  | -   | 222               | -                         | -                           |
| Due to other funds   | -   | -                 | -                         | -                           |
| Deferred revenue   | -   | -                 | -                         | -                           |
| Total liabilities  | <u>-</u>  | <u>11,235</u>     | <u>465</u>                | <u>-</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |   |                   |                           |                             |
| Unavailable revenue  | -   | -                 | -                         | -                           |
| Total deferred outflows  | <u>-</u>  | <u>-</u>          | <u>-</u>                  | <u>-</u>                    |
| <b>FUND BALANCES</b>   |   |                   |                           |                             |
| Restricted for:  |   |                   |                           |                             |
| Public safety  | -   | -                 | -                         | -                           |
| Judicial   | -   | -                 | 50,050                    | 34,095                      |
| Fire code enforcement  | -   | 185,770           | -                         | -                           |
| Historical preservation  | -   | -                 | -                         | -                           |
| Records management and preservation                                    | 42,538  | -                 | -                         | -                           |
| Court technology and security  | -   | -                 | -                         | -                           |
| Debt service   | -   | -                 | -                         | -                           |
| Other purposes   | -   | -                 | -                         | -                           |
| Unassigned   | -   | -                 | -                         | -                           |
| Total fund balances  | <u>42,538</u>   | <u>185,770</u>    | <u>50,050</u>             | <u>34,095</u>               |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 42,538</u>  | <u>\$ 197,005</u> | <u>\$ 50,515</u>          | <u>\$ 34,095</u>            |

Special Revenue

| Constable<br>Pct. 4<br>Forfeitures | Justice Court<br>Building<br>Security | Juror<br>Reimbursements | Texas<br>Water<br>Improvement | Historical<br>Society | Farm<br>Museum   | Juvenile<br>Case<br>Manager |
|------------------------------------|---------------------------------------|-------------------------|-------------------------------|-----------------------|------------------|-----------------------------|
| \$ 6,036                           | \$ 26,416                             | \$ 429                  | \$ 46,815                     | \$ 29,308             | \$ 21,022        | \$ 1,963                    |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| <u>6,036</u>                       | <u>26,416</u>                         | <u>429</u>              | <u>46,815</u>                 | <u>29,308</u>         | <u>21,022</u>    | <u>1,963</u>                |
| -                                  | -                                     | -                       | -                             | 37                    | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | 100                           | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| <u>-</u>                           | <u>-</u>                              | <u>-</u>                | <u>100</u>                    | <u>37</u>             | <u>-</u>         | <u>-</u>                    |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| <u>-</u>                           | <u>-</u>                              | <u>-</u>                | <u>-</u>                      | <u>-</u>              | <u>-</u>         | <u>-</u>                    |
| 6,036                              | -                                     | -                       | -                             | -                     | -                | 1,963                       |
| -                                  | -                                     | 429                     | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | 29,271                | 21,022           | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | 26,416                                | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | 46,715                        | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| <u>6,036</u>                       | <u>26,416</u>                         | <u>429</u>              | <u>46,715</u>                 | <u>29,271</u>         | <u>21,022</u>    | <u>1,963</u>                |
| <u>\$ 6,036</u>                    | <u>\$ 26,416</u>                      | <u>\$ 429</u>           | <u>\$ 46,815</u>              | <u>\$ 29,308</u>      | <u>\$ 21,022</u> | <u>\$ 1,963</u>             |

**KAUFMAN COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Special Revenue   |   |                   |                    |
|--|-------------------|---|-------------------|--------------------|
|  | LEOSE<br>Training | County &<br>District<br>Court<br>Technology | JP<br>Technology  | Records<br>Archive |
| <b>ASSETS</b>  |                   |   |                   |                    |
| Cash and cash equivalents  | \$ 25,576         | \$ 2,032                                    | \$ 235,897        | \$ 408,309         |
| Receivables:   |                   |   |                   |                    |
| Taxes  | -                 | -   | -                 | -                  |
| Due from other governments   | -                 | -   | -                 | -                  |
| Due from other funds   | -                 | -   | -                 | -                  |
| Total assets   | <u>25,576</u>     | <u>2,032</u>                                | <u>235,897</u>    | <u>408,309</u>     |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                   |   |                   |                    |
| Liabilities:   |                   |   |                   |                    |
| Accounts payable   | -                 | -   | 1,371             | -                  |
| Accrued liabilities  | -                 | -   | -                 | -                  |
| Due to other funds   | -                 | -   | -                 | -                  |
| Deferred revenue   | -                 | -   | -                 | -                  |
| Total liabilities  | <u>-</u>          | <u>-</u>                                    | <u>1,371</u>      | <u>-</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                   |   |                   |                    |
| Unavailable revenue  | -                 | -   | -                 | -                  |
| Total deferred outflows  | <u>-</u>          | <u>-</u>                                    | <u>-</u>          | <u>-</u>           |
| <b>FUND BALANCES</b>   |                   |   |                   |                    |
| Restricted for:  |                   |   |                   |                    |
| Public safety  | 25,576            | -   | -                 | -                  |
| Judicial   | -                 | -   | -                 | -                  |
| Fire code enforcement  | -                 | -   | -                 | -                  |
| Historical preservation  | -                 | -   | -                 | -                  |
| Records management and preservation                                    | -                 | -   | -                 | 408,309            |
| Court technology and security  | -                 | 2,032                                       | 234,526           | -                  |
| Debt service   | -                 | -   | -                 | -                  |
| Other purposes   | -                 | -   | -                 | -                  |
| Unassigned   | -                 | -   | -                 | -                  |
| Total fund balances  | <u>25,576</u>     | <u>2,032</u>                                | <u>234,526</u>    | <u>408,309</u>     |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 25,576</u>  | <u>\$ 2,032</u>                             | <u>\$ 235,897</u> | <u>\$ 408,309</u>  |

Special Revenue

| SCAAP<br>Grant   | Water<br>Mitigation<br>Grant | Tax Assessor/<br>Collector<br>Administration<br>Fees | Air Quality<br>Grant | Capital<br>Murder<br>Grant |
|------------------|------------------------------|--|----------------------|----------------------------|
| \$ 32,993        | \$ -                         | \$ 13,640  | \$ 8,495             | \$ -                       |
| -                | -                            | -  | -                    | -                          |
| -                | 17,689                       | -  | -                    | -                          |
| -                | -                            | -  | -                    | -                          |
| <u>32,993</u>    | <u>17,689</u>                | <u>13,640</u>  | <u>8,495</u>         | <u>-</u>                   |
| -                | -                            | -  | -                    | 11,400                     |
| -                | -                            | -  | -                    | -                          |
| -                | 17,689                       | -  | -                    | -                          |
| <u>33,161</u>    | <u>-</u>                     | <u>-</u>   | <u>-</u>             | <u>-</u>                   |
| <u>33,161</u>    | <u>17,689</u>                | <u>-</u>   | <u>-</u>             | <u>11,400</u>              |
| <u>-</u>         | <u>-</u>                     | <u>-</u>   | <u>-</u>             | <u>-</u>                   |
| <u>-</u>         | <u>-</u>                     | <u>-</u>   | <u>-</u>             | <u>-</u>                   |
| -                | -                            | -  | 8,495                | -                          |
| -                | -                            | -  | -                    | -                          |
| -                | -                            | -  | -                    | -                          |
| -                | -                            | -  | -                    | -                          |
| -                | -                            | -  | -                    | -                          |
| -                | -                            | -  | -                    | -                          |
| -                | -                            | 13,640   | -                    | -                          |
| <u>( 168)</u>    | <u>-</u>                     | <u>-</u>   | <u>-</u>             | <u>( 11,400)</u>           |
| <u>( 168)</u>    | <u>-</u>                     | <u>13,640</u>  | <u>8,495</u>         | <u>( 11,400)</u>           |
| <u>\$ 32,993</u> | <u>\$ 17,689</u>             | <u>\$ 13,640</u>                                     | <u>\$ 8,495</u>      | <u>\$ -</u>                |

**KAUFMAN COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Special Revenue      |                 |
|--|----------------------|-----------------|
|  | Enhancement<br>Grant | Debt<br>Service |
| <b>ASSETS</b>  |                      |                 |
| Cash and cash equivalents  | \$ -                 | \$ 228,576      |
| Receivables:   |                      |                 |
| Taxes  | -                    | 142,185         |
| Due from other governments   | -                    | -               |
| Due from other funds   | -                    | -               |
| Total assets   | -                    | 370,761         |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                      |                 |
| Liabilities:   |                      |                 |
| Accounts payable   | -                    | -               |
| Accrued liabilities  | -                    | -               |
| Due to other funds   | -                    | -               |
| Deferred revenue   | -                    | -               |
| Total liabilities  | -                    | -               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                      |                 |
| Unavailable revenue  | -                    | 128,879         |
| Total deferred outflows  | -                    | 128,879         |
| <b>FUND BALANCES</b>   |                      |                 |
| Restricted for:  |                      |                 |
| Public safety  | -                    | -               |
| Judicial   | -                    | -               |
| Fire code enforcement  | -                    | -               |
| Historical preservation  | -                    | -               |
| Records management and preservation                                    | -                    | -               |
| Court technology and security  | -                    | -               |
| Debt service   | -                    | 241,882         |
| Other purposes   | -                    | -               |
| Unassigned   | -                    | -               |
| Total fund balances  | -                    | 241,882         |
| Total liabilities, deferred inflows<br>of resources, and fund balances | \$ -                 | \$ 370,761      |

Capital Projects

| <u>Radio<br/>Bond</u> | <u>9-1-1 Call<br/>Center</u> | <u>Total Other<br/>Governmental<br/>Funds</u> |
|-----------------------|------------------------------|---|
| \$ 90                 | \$ -                         | \$ 2,475,657                                  |
| -                     | -                            | 142,185                                       |
| -                     | -                            | 22,184  |
| -                     | -                            | <u>3,542</u>                                  |
| <u>90</u>             | <u>-</u>                     | <u>2,643,568</u>                              |
| -                     | -                            | 45,271  |
| -                     | -                            | 25,211  |
| -                     | -                            | 17,920  |
| -                     | -                            | <u>33,161</u>                                 |
| <u>-</u>              | <u>-</u>                     | <u>121,563</u>                                |
| -                     | -                            | 133,374                                       |
| <u>-</u>              | <u>-</u>                     | <u>133,374</u>                                |
| 90                    | -                            | 208,156                                       |
| -                     | -                            | 330,676                                       |
| -                     | -                            | 185,770                                       |
| -                     | -                            | 52,740  |
| -                     | -                            | 924,565                                       |
| -                     | -                            | 391,803                                       |
| -                     | -                            | 241,882                                       |
| -                     | -                            | 64,607  |
| -                     | -                            | <u>( 11,568)</u>                              |
| <u>90</u>             | <u>-</u>                     | <u>2,388,631</u>                              |
| <u>\$ 90</u>          | <u>\$ -</u>                  | <u>\$ 2,643,568</u>                           |

**KAUFMAN COUNTY, TEXAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | Special Revenue                   |                                 |                                     |                |
|--|-----------------------------------|---------------------------------|-------------------------------------|----------------|
|  | Sheriff<br>Federal<br>Forfeitures | Sheriff<br>State<br>Forfeitures | District<br>Attorney<br>Forfeitures | Law<br>Library |
| <b>REVENUES</b>  |                                   |                                 |                                     |                |
| Property taxes   | \$ -                              | \$ -                            | \$ -                                | \$ -           |
| License and permits  | -                                 | -                               | -                                   | -              |
| Fees of office   | -                                 | -                               | -                                   | 63,992         |
| Forfeitures  | -                                 | 26,573                          | 30,458                              | -              |
| Intergovernmental  | -                                 | -                               | -                                   | -              |
| Investment income  | -                                 | -                               | -                                   | 716            |
| Miscellaneous  | 49,259                            | -                               | -                                   | -              |
| Total revenues   | 49,259                            | 26,573                          | 30,458                              | 64,708         |
| <b>EXPENDITURES</b>  |                                   |                                 |                                     |                |
| General government   | -                                 | -                               | -                                   | -              |
| Public safety and corrections  | 57,093                            | 26,420                          | -                                   | -              |
| Judicial   | -                                 | -                               | 38,130                              | 89,851         |
| Infrastructure and environmental                                     | -                                 | -                               | -                                   | -              |
| Capital outlay   | 27,439                            | -                               | 1,689                               | -              |
| Debt service:  |                                   |                                 |                                     |                |
| Principal  | -                                 | -                               | -                                   | -              |
| Interest and fiscal charges  | -                                 | -                               | -                                   | -              |
| Total expenditures   | 84,532                            | 26,420                          | 39,819                              | 89,851         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | ( 35,273)                         | 153                             | ( 9,361)                            | ( 25,143)      |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                                   |                                 |                                     |                |
| Transfers in   | -                                 | -                               | -                                   | -              |
| Transfers out  | -                                 | -                               | -                                   | -              |
| Total other financing sources (uses)                                 | -                                 | -                               | -                                   | -              |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | ( 35,273)                         | 153                             | ( 9,361)                            | ( 25,143)      |
| <b>FUND BALANCES, BEGINNING</b>                                      | 82,069                            | 65,110                          | 40,220                              | 221,455        |
| <b>FUND BALANCES, ENDING</b>   | \$ 46,796                         | \$ 65,263                       | \$ 30,859                           | \$ 196,312     |

Special Revenue

| Voter<br>Registration | Juvenile<br>Probation | Appellate<br>Justice<br>System | Records<br>Management | Library<br>Memorials | Courthouse<br>Security | Records<br>Management and<br>Preservation |
|-----------------------|-----------------------|--------------------------------|-----------------------|----------------------|------------------------|---|
| \$ -                  | \$ -                  | \$ -                           | \$ -                  | \$ -                 | \$ -                   | \$ -                                      |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| -                     | -                     | 9,274                          | 337,516               | -                    | 67,968                 | 27,295                                    |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| 12,173                | 527,524               | -                              | -                     | -                    | -                      | -   |
| 21                    | 609                   | -                              | 1,212                 | -                    | 431                    | 134                                       |
| -                     | -                     | -                              | -                     | 1,225                | -                      | -   |
| <u>12,194</u>         | <u>528,133</u>        | <u>9,274</u>                   | <u>338,728</u>        | <u>1,225</u>         | <u>68,399</u>          | <u>27,429</u>                             |
| 7,994                 | -                     | -                              | 169,091               | 661                  | -                      | 42,280                                    |
| -                     | 1,106,576             | -                              | -                     | -                    | -                      | -   |
| -                     | -                     | 9,549                          | -                     | -                    | 55,806                 | -   |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| -                     | 31,590                | -                              | -                     | -                    | -                      | -   |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| <u>7,994</u>          | <u>1,138,166</u>      | <u>9,549</u>                   | <u>169,091</u>        | <u>661</u>           | <u>55,806</u>          | <u>42,280</u>                             |
| <u>4,200</u>          | <u>( 610,033)</u>     | <u>( 275)</u>                  | <u>169,637</u>        | <u>564</u>           | <u>12,593</u>          | <u>( 14,851)</u>                          |
| -                     | 557,052               | -                              | -                     | -                    | -                      | -   |
| -                     | -                     | -                              | -                     | -                    | -                      | -   |
| -                     | <u>557,052</u>        | -                              | -                     | -                    | -                      | -   |
| 4,200                 | ( 52,981)             | ( 275)                         | 169,637               | 564                  | 12,593                 | ( 14,851)                                 |
| <u>52</u>             | <u>106,918</u>        | <u>19,206</u>                  | <u>277,454</u>        | <u>1,883</u>         | <u>116,236</u>         | <u>41,478</u>                             |
| <u>\$ 4,252</u>       | <u>\$ 53,937</u>      | <u>\$ 18,931</u>               | <u>\$ 447,091</u>     | <u>\$ 2,447</u>      | <u>\$ 128,829</u>      | <u>\$ 26,627</u>                          |

**KAUFMAN COUNTY, TEXAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | Special Revenue   |                   |                           |                             |
|--|---|-------------------|---------------------------|-----------------------------|
|  | District Clerk<br>Records<br>Management and<br>Preservation | Fire<br>Code      | CCL<br>Diversion<br>Court | 422nd<br>Diversion<br>Court |
| <b>REVENUES</b>  |   |                   |                           |                             |
| Property taxes   | \$ -  | \$ -              | \$ -                      | \$ -                        |
| License and permits  | -   | 102,786           | -                         | -                           |
| Fees of office   | 30,177  | -                 | 2,360                     | 1,081                       |
| Forfeitures  | -   | -                 | -                         | -                           |
| Intergovernmental  | -   | -                 | -                         | -                           |
| Investment income  | 124   | -                 | -                         | -                           |
| Miscellaneous  | -   | -                 | -                         | -                           |
| Total revenues   | <u>30,301</u>   | <u>102,786</u>    | <u>2,360</u>              | <u>1,081</u>                |
| <b>EXPENDITURES</b>  |   |                   |                           |                             |
| General government   | 22,826  | -                 | -                         | -                           |
| Public safety and corrections  | -   | 10,459            | -                         | 13,642                      |
| Judicial   | -   | -                 | 8,640                     | -                           |
| Infrastructure and environmental                                     | -   | -                 | -                         | -                           |
| Capital outlay   | -   | 41,126            | -                         | -                           |
| Debt service:  |   |                   |                           |                             |
| Principal  | -   | -                 | -                         | -                           |
| Interest and fiscal charges  | -   | -                 | -                         | -                           |
| Total expenditures   | <u>22,826</u>   | <u>51,585</u>     | <u>8,640</u>              | <u>13,642</u>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>7,475</u>  | <u>51,201</u>     | <u>( 6,280)</u>           | <u>( 12,561)</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |   |                   |                           |                             |
| Transfers in   | -   | -                 | 7,102                     | 7,102                       |
| Transfers out  | -   | ( 17,600)         | -                         | -                           |
| Total other financing sources (uses)                                 | <u>-</u>  | <u>( 17,600)</u>  | <u>7,102</u>              | <u>7,102</u>                |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 7,475   | 33,601            | 822                       | ( 5,459)                    |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>35,063</u>   | <u>152,169</u>    | <u>49,228</u>             | <u>39,554</u>               |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 42,538</u>  | <u>\$ 185,770</u> | <u>\$ 50,050</u>          | <u>\$ 34,095</u>            |

Special Revenue

| Constable<br>Pct. 4<br>Forfeitures | Justice Court<br>Building<br>Security | Juror<br>Reimbursements | Texas<br>Water<br>Improvement | Historical<br>Society | Farm<br>Museum   | Juvenile<br>Case<br>Manager |
|------------------------------------|---------------------------------------|-------------------------|-------------------------------|-----------------------|------------------|-----------------------------|
| \$ -                               | \$ -                                  | \$ -                    | \$ -                          | \$ -                  | \$ -             | \$ -                        |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | 7,727                                 | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | 66,680                        | -                     | -                | -                           |
| 21                                 | -                                     | 35                      | 54                            | 99                    | 66               | -                           |
| -                                  | -                                     | 3,655                   | -                             | 1,333                 | -                | -                           |
| <u>21</u>                          | <u>7,727</u>                          | <u>3,690</u>            | <u>66,734</u>                 | <u>1,432</u>          | <u>66</u>        | <u>-</u>                    |
| -                                  | -                                     | -                       | -                             | 1,768                 | 819              | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | 15,812                                | 59,330                  | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | 20,030                        | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| -                                  | -                                     | -                       | -                             | -                     | -                | -                           |
| <u>-</u>                           | <u>15,812</u>                         | <u>59,330</u>           | <u>20,030</u>                 | <u>1,768</u>          | <u>819</u>       | <u>-</u>                    |
| <u>21</u>                          | <u>( 8,085)</u>                       | <u>( 55,640)</u>        | <u>46,704</u>                 | <u>( 336)</u>         | <u>( 753)</u>    | <u>-</u>                    |
| -                                  | -                                     | 58,548                  | -                             | 6,800                 | 6,800            | -                           |
| -                                  | -                                     | -                       | -                             | ( 3,165)              | -                | -                           |
| -                                  | -                                     | 58,548                  | -                             | 3,635                 | 6,800            | -                           |
| 21                                 | ( 8,085)                              | 2,908                   | 46,704                        | 3,299                 | 6,047            | -                           |
| <u>6,015</u>                       | <u>34,501</u>                         | <u>( 2,479)</u>         | <u>11</u>                     | <u>25,972</u>         | <u>14,975</u>    | <u>1,963</u>                |
| <u>\$ 6,036</u>                    | <u>\$ 26,416</u>                      | <u>\$ 429</u>           | <u>\$ 46,715</u>              | <u>\$ 29,271</u>      | <u>\$ 21,022</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, 2017**

|  | Special Revenue   |   |                   |                    |
|--|-------------------|---|-------------------|--------------------|
|  | LEOSE<br>Training | County &<br>District<br>Court<br>Technology | JP<br>Technology  | Records<br>Archive |
| <b>REVENUES</b>  |                   |   |                   |                    |
| Property taxes   | \$ -              | \$ -  | \$ -              | \$ -               |
| License and permits  | -                 | -   | -                 | -                  |
| Fees of office   | -                 | 4,101                                       | 30,594            | 298,090            |
| Forfeitures  | -                 | -   | -                 | -                  |
| Intergovernmental  | 17,268            | -   | -                 | -                  |
| Investment income  | -                 | -   | -                 | -                  |
| Miscellaneous  | -                 | -   | -                 | -                  |
| Total revenues   | <u>17,268</u>     | <u>4,101</u>                                | <u>30,594</u>     | <u>298,090</u>     |
| <b>EXPENDITURES</b>  |                   |   |                   |                    |
| General government   | -                 | 4,280                                       | -                 | 78,173             |
| Public safety and corrections  | 17,336            | -   | -                 | -                  |
| Judicial   | -                 | -   | 2,791             | -                  |
| Infrastructure and environmental                                     | -                 | -   | -                 | -                  |
| Capital outlay   | -                 | -   | 17,193            | -                  |
| Debt service:  |                   |   |                   |                    |
| Principal  | -                 | -   | -                 | -                  |
| Interest and fiscal charges  | -                 | -   | -                 | -                  |
| Total expenditures   | <u>17,336</u>     | <u>4,280</u>                                | <u>19,984</u>     | <u>78,173</u>      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 68)</u>      | <u>( 179)</u>                               | <u>10,610</u>     | <u>219,917</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                   |   |                   |                    |
| Transfers in   | -                 | -   | -                 | -                  |
| Transfers out  | -                 | -   | -                 | -                  |
| Total other financing sources (uses)                                 | <u>-</u>          | <u>-</u>                                    | <u>-</u>          | <u>-</u>           |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <u>( 68)</u>      | <u>( 179)</u>                               | <u>10,610</u>     | <u>219,917</u>     |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>25,644</u>     | <u>2,211</u>                                | <u>223,916</u>    | <u>188,392</u>     |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 25,576</u>  | <u>\$ 2,032</u>                             | <u>\$ 234,526</u> | <u>\$ 408,309</u>  |

Special Revenue

| SCAAP<br>Grant  | Water<br>Mitigation<br>Grant | Tax Assessor/<br>Collector<br>Administration<br>Fees | Air Quality<br>Grant | Capital<br>Murder<br>Grant |
|-----------------|------------------------------|--|----------------------|----------------------------|
| \$ -            | \$ -                         | \$ -   | \$ -                 | \$ -                       |
| -               | -                            | -  | -                    | -                          |
| -               | -                            | -  | -                    | -                          |
| -               | -                            | -  | -                    | -                          |
| 46,021          | 7,981                        | 3,939  | 52,150               | 300,078                    |
| -               | -                            | -  | -                    | -                          |
| -               | -                            | -  | -                    | -                          |
| <u>46,021</u>   | <u>7,981</u>                 | <u>3,939</u>   | <u>52,150</u>        | <u>300,078</u>             |
| -               | -                            | 539  | -                    | -                          |
| 46,021          | -                            | -  | 43,656               | -                          |
| -               | -                            | -  | -                    | 237,344                    |
| -               | -                            | -  | -                    | -                          |
| -               | -                            | -  | -                    | -                          |
| <u>46,021</u>   | <u>-</u>                     | <u>539</u>   | <u>43,656</u>        | <u>237,344</u>             |
| -               | 7,981                        | 3,400  | 8,494                | 62,734                     |
| -               | -                            | -  | -                    | 36,866                     |
| -               | -                            | -  | -                    | -                          |
| -               | -                            | -  | -                    | <u>36,866</u>              |
| -               | 7,981                        | 3,400  | 8,494                | 99,600                     |
| <u>( 168)</u>   | <u>( 7,981)</u>              | <u>10,240</u>  | <u>1</u>             | <u>( 111,000)</u>          |
| <u>\$( 168)</u> | <u>\$ -</u>                  | <u>\$ 13,640</u>                                     | <u>\$ 8,495</u>      | <u>\$( 11,400)</u>         |

**KAUFMAN COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | Special Revenue      |                 |
|--|----------------------|-----------------|
|  | Enhancement<br>Grant | Debt<br>Service |
| <b>REVENUES</b>  |                      |                 |
| Property taxes   | \$ -                 | \$ 4,408,399    |
| License and permits  | -                    | -               |
| Fees of office   | -                    | -               |
| Forfeitures  | -                    | -               |
| Intergovernmental  | 2,612                | -               |
| Investment income  | -                    | 3,414           |
| Miscellaneous  | -                    | -               |
| Total revenues   | 2,612                | 4,411,813       |
| <b>EXPENDITURES</b>  |                      |                 |
| General government   | -                    | -               |
| Public safety and corrections  | -                    | -               |
| Judicial   | 1,249                | -               |
| Infrastructure and environmental                                     | -                    | -               |
| Capital outlay   | -                    | -               |
| Debt service:  |                      |                 |
| Principal  | -                    | 1,860,957       |
| Interest and fiscal charges  | -                    | 2,488,889       |
| Total expenditures   | 1,249                | 4,349,846       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 1,363                | 61,967          |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |                 |
| Transfers in   | -                    | 3,000           |
| Transfers out  | -                    | -               |
| Total other financing sources (uses)                                 | -                    | 3,000           |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 1,363                | 64,967          |
| <b>FUND BALANCES, BEGINNING</b>                                      | ( 1,363)             | 176,915         |
| <b>FUND BALANCES, ENDING</b>   | \$ -                 | \$ 241,882      |

Capital Projects

| <u>Radio<br/>Bond</u> | <u>9-1-1 Call<br/>Center</u> | <u>Total Other<br/>Governmental<br/>Funds</u> |
|-----------------------|------------------------------|---|
| \$ -                  | \$ -                         | \$ 4,408,399                                  |
| -                     | -                            | 102,786                                       |
| -                     | -                            | 880,175                                       |
| -                     | -                            | 57,031  |
| -                     | -                            | 1,036,426                                     |
| 235                   | -                            | 7,171   |
| <u>-</u>              | <u>-</u>                     | <u>55,472</u>                                 |
| <u>235</u>            | <u>-</u>                     | <u>6,547,460</u>                              |
| -                     | -                            | 328,431                                       |
| -                     | 3,109                        | 1,324,312                                     |
| -                     | -                            | 518,502                                       |
| -                     | -                            | 20,030  |
| 287,399               | 71,296                       | 477,732                                       |
| -                     | -                            | 1,860,957                                     |
| <u>-</u>              | <u>-</u>                     | <u>2,488,889</u>                              |
| <u>287,399</u>        | <u>74,405</u>                | <u>7,018,853</u>                              |
| <u>( 287,164)</u>     | <u>( 74,405)</u>             | <u>( 471,393)</u>                             |
| 185,821               | -                            | 869,091                                       |
| <u>-</u>              | <u>-</u>                     | <u>( 20,765)</u>                              |
| <u>185,821</u>        | <u>-</u>                     | <u>848,326</u>                                |
| <u>( 101,343)</u>     | <u>( 74,405)</u>             | 376,933                                       |
| <u>101,433</u>        | <u>74,405</u>                | <u>2,011,698</u>                              |
| <u>\$ 90</u>          | <u>\$ -</u>                  | <u>\$ 2,388,631</u>                           |

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**KAUFMAN COUNTY, TEXAS**

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

**DEBT SERVICE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                           |   |
| <b>REVENUES</b>  |                         |                   |                           |   |
| Property taxes   | \$ 4,424,522            | \$ 4,424,522      | \$ 4,408,399              | \$( 16,123)   |
| Investment income  | 2,200                   | 2,200             | 3,414                     | 1,214   |
| Total revenues   | <u>4,426,722</u>        | <u>4,426,722</u>  | <u>4,411,813</u>          | <u>( 14,909)</u>  |
| <b>EXPENDITURES</b>  |                         |                   |                           |   |
| Debt service   |                         |                   |                           |   |
| Principal  | 1,860,958               | 1,860,958         | 1,860,957                 | 1   |
| Interest and fiscal charges  | <u>2,487,801</u>        | <u>2,487,801</u>  | <u>2,488,889</u>          | <u>( 1,088)</u>   |
| Total expenditures   | <u>4,348,759</u>        | <u>4,348,759</u>  | <u>4,349,846</u>          | <u>( 1,087)</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> |                         |                   |                           |   |
|  | <u>77,963</u>           | <u>77,963</u>     | <u>61,967</u>             | <u>( 15,996)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                         |                   |                           |   |
| Transfers in   | -                       | -                 | 3,000                     | 3,000   |
| Total other financing sources (uses)                                 | <u>-</u>                | <u>-</u>          | <u>3,000</u>              | <u>3,000</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                                   |                         |                   |                           |   |
|  | 77,963                  | 77,963            | 64,967                    | ( 12,996)   |
| <b>FUND BALANCES, BEGINNING</b>                                      |                         |                   |                           |   |
|  | <u>176,915</u>          | <u>176,915</u>    | <u>176,915</u>            | <u>-</u>  |
| <b>FUND BALANCES, ENDING</b>   |                         |                   |                           |   |
|  | <u>\$ 254,878</u>       | <u>\$ 254,878</u> | <u>\$ 241,882</u>         | <u>\$( 12,996)</u>  |

**KAUFMAN COUNTY, TEXAS**

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**SEPTEMBER 30, 2017**

|                                      | Agency Funds              |                            |                              |                          |                          |
|--------------------------------------|---------------------------|----------------------------|------------------------------|--------------------------|--------------------------|
|                                      | Childrens'<br>Shelter     | Adult<br>Probation         | Tax<br>Assessor<br>Collector | Employee<br>Savings      | JP<br>Offices            |
| <b>ASSETS</b>                        |                           |                            |                              |                          |                          |
| Cash and cash equivalents            | \$( 38,820)               | \$ 1,071,759               | \$ 1,263,931                 | \$ 326,498               | \$ 174,859               |
| Total assets                         | <u>( 38,820)</u>          | <u>1,071,759</u>           | <u>1,263,931</u>             | <u>326,498</u>           | <u>174,859</u>           |
| <b>LIABILITIES AND FUND BALANCES</b> |                           |                            |                              |                          |                          |
| Due to others                        | <u>( 38,820)</u>          | <u>1,071,759</u>           | <u>1,263,931</u>             | <u>326,498</u>           | <u>174,859</u>           |
| Total liabilities                    | <u><u>\$( 38,820)</u></u> | <u><u>\$ 1,071,759</u></u> | <u><u>\$ 1,263,931</u></u>   | <u><u>\$ 326,498</u></u> | <u><u>\$ 174,859</u></u> |

Agency Funds

| District<br>Clerk   | County<br>Clerk  | County<br>District<br>Attorney | Sherriff<br>Office | Total<br>Agency<br>Funds |
|---------------------|------------------|--------------------------------|--------------------|--------------------------|
| \$ 1,981,385        | \$ 81,556        | \$ 186,288                     | \$ 293,396         | \$ 5,340,852             |
| <u>1,981,385</u>    | <u>81,556</u>    | <u>186,288</u>                 | <u>293,396</u>     | <u>5,340,852</u>         |
| <u>1,981,385</u>    | <u>81,556</u>    | <u>186,288</u>                 | <u>293,396</u>     | <u>5,340,852</u>         |
| <u>\$ 1,981,385</u> | <u>\$ 81,556</u> | <u>\$ 186,288</u>              | <u>\$ 293,396</u>  | <u>\$ 5,340,852</u>      |

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# **COMPLIANCE SECTION**



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of and for the year ended September 30, 2017, 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 7, 2018.

**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 7, 2018