

**VAN ZANDT COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**



**VAN ZANDT COUNTY, TEXAS**

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge  
and Members of the Commissioners' Court  
Canton, 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 Van Zandt County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Van Zandt County, Texas' basic financial statements as listed in the table of contents.

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

Van Zandt 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 Van Zandt 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 comparison information, and pension information 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 Van Zandt County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 on our consideration of Van Zandt 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 Van Zandt County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
June 26, 2018

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# VAN ZANDT COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Our discussion and analysis of Van Zandt County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements, which being on page 10.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,842,479 (*net position*). Of this amount, \$1,541,391 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased by \$416,425, due primarily to the \$1,244,892 decrease in total revenues. The majority of this decrease was due to a reduction in FEMA projects.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,358,412, a decrease of \$724,377 in comparison with the prior year. The County had no fund balance available for spending at the County's discretion as unassigned fund balance is (\$141,619).
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$375,966 .

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to service as introduction to the County's basic financial statements. The County's basic 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 in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial 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, liabilities, and deferred outflows/inflows of resources, with the difference between the four reported as *net position*. Over time, increases and decreases in net position 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 government's net position changed during the most recent fiscal year. All changes in net positions 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 (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, health and welfare, public safety, highways and bridges, sanitation, conservation and culture and recreation. The County had no business-type activities.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities 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 funds of the County 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. However, 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.

The County maintained 41 individual governmental funds. 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, the Road and Bridge Funds precincts #1-4, Debt Service, and Van Tornado Assistance, all 7 of which are considered to be major funds. Data from the other 34 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Van Zandt County, Texas’ progress in funding its obligation to provide pension benefits to its employees. It also includes budgetary information for the General Fund and Road and Bridge Funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and budgetary comparisons.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the County’s governmental activities decreased from \$11,258,904 to \$10,842,479. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislations, or other legal requirements – was \$1,541,391 as of September 30, 2017.

The net position of the County decreased by \$416,425 in fiscal year 2017, as opposed to an increase of \$2,054,969 in fiscal year 2016. Total assets decreased \$1,353,320 when compared to fiscal year 2016. There were a few factors that caused this decrease in net position. The first was an increase in property tax revenues predominately coming from increases in the assessed values throughout the County and the creation of a special road tax for Precincts 1-4. The increase in revenues were offset by an increase in expenses predominately in the highways and bridges function.

**TABLE 1**  
**VAN ZANDT COUNTY, TEXAS**  
**NET POSITION**

|                                | Governmental Activities |                      |
|--------------------------------|-------------------------|----------------------|
|                                | 2017                    | 2016                 |
| Current and other assets       | \$ 7,742,355            | \$ 8,823,588         |
| Capital assets                 | 10,333,385              | 10,605,472           |
| Total assets                   | <u>18,075,740</u>       | <u>19,429,060</u>    |
| Deferred outflows of resources | 1,926,964               | 2,367,844            |
| Current liabilities            | 3,112,368               | 3,260,741            |
| Non current liabilities        | 5,884,001               | 7,169,194            |
| Total liabilities              | <u>8,996,369</u>        | <u>10,429,935</u>    |
| Deferred inflows               | 163,856                 | 108,065              |
| Net position                   |                         |                      |
| Net invested in capital assets | 4,913,211               | 4,176,090            |
| Restricted                     | 4,387,877               | 5,572,026            |
| Unrestricted                   | 1,541,391               | 1,510,788            |
| Total net position             | <u>\$ 10,842,479</u>    | <u>\$ 11,258,904</u> |

**TABLE 2**  
**VAN ZANDT COUNTY, TEXAS**  
**CHANGES IN NET POSITION**

|                                    | Governmental Activities |                      |
|------------------------------------|-------------------------|----------------------|
|                                    | 2017                    | 2016                 |
| Revenues:                          |                         |                      |
| Charges for services               | \$ 4,312,515            | \$ 4,107,218         |
| Operating grants and contributions | 1,310,337               | 5,020,259            |
| Capital grants and contributions   | -                       | 2,700                |
| General revenue:                   |                         |                      |
| Property taxes                     | 14,055,922              | 11,511,328           |
| Miscellaneous                      | 418,594                 | 770,811              |
| Gain on sale of assets             | -                       | 67,330               |
| Insurance recoveries               | 110,849                 | -                    |
| Interest income                    | 54,847                  | 28,310               |
| Total revenues                     | <u>20,263,064</u>       | <u>21,507,956</u>    |
| Expenses:                          |                         |                      |
| General government                 | 3,664,342               | 3,807,093            |
| Judicial                           | 2,702,820               | 2,462,358            |
| Public safety                      | 5,895,377               | 5,580,568            |
| Health and welfare                 | 204,297                 | 85,300               |
| Highways and bridges               | 7,738,581               | 7,028,324            |
| Culture and recreation             | 124,947                 | 119,083              |
| Conservation                       | 85,725                  | 86,613               |
| Sanitation                         | 78,029                  | 60,835               |
| Interest on long-term debt         | 185,372                 | 222,813              |
| Total expenses                     | <u>20,679,489</u>       | <u>19,452,987</u>    |
| Change in net position             | ( 416,425)              | 2,054,969            |
| Net position beginning of year     | <u>11,258,904</u>       | <u>9,203,936</u>     |
| Net position end of year           | <u>\$ 10,842,479</u>    | <u>\$ 11,258,905</u> |

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 12 – 13) reported a combined fund balance of \$3,358,412 which represents a \$724,377 decrease from the previous year.

Over the course of the year, the Commissioners' Court amended the County's budget several times. These amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts that were estimated in September of 2016.) Also, the second category was the Commissioners' Court approving several changes in appropriations to prevent budget overruns.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

|                            | Governmental Activities |                      |
|----------------------------|-------------------------|----------------------|
|                            | 2017                    | 2016                 |
| Land                       | \$ 514,749              | \$ 514,749           |
| Buildings and improvements | 2,834,919               | 3,106,451            |
| Machinery and equipment    | 1,725,837               | 1,311,144            |
| Infrastructure             | 5,257,880               | 5,673,128            |
| Total                      | <u>\$ 10,333,385</u>    | <u>\$ 10,605,472</u> |

At the end of 2017, the County had approximately \$10,333,385 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings and equipment, transportation equipment, and administrative and maintenance buildings and equipment.

Major additions to capital assets for the fiscal year were as follows:

- 4 Chevrolet Tahoes and 1 Ford Explorer for \$150,000
- 2 Wheel Loaders for \$218,176

### Debt

|                                | Governmental Activities |                     |
|--------------------------------|-------------------------|---------------------|
|                                | 2017                    | 2016                |
| Certificates of obligation     | \$ 4,994,000            | \$ 5,969,000        |
| Notes payable                  | 426,174                 | 460,382             |
| Net pension obligation (asset) | 1,417,406               | 1,518,452           |
| Compensated absences           | 469,263                 | 476,887             |
| Total                          | <u>\$ 7,306,843</u>     | <u>\$ 8,424,721</u> |

At year-end, the County had \$426,174 in notes payable for various County equipment and vehicles. The County issued \$142,640 in new debt and paid \$1,138,471 in principal payments for the year. The County also had \$4,994,000 of Certificates of Obligation outstanding at year-end. The County paid in principal payments of \$975,000 on these obligations in fiscal year 2017.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The County's General Fund balance of \$381,911 reported on pages 12 and 13 differs from the General Fund's budgetary fund balance of (\$333,493). The primary reason for the difference was the County staying under budgeted expenditures by \$607,943. The County also collected \$242,318 more in revenues than were budgeted for FY 2017.

The County budget is prepared in accordance with financial policies approved by the Commissioners' Court, and in accordance with accounting principles generally accepted in the United States. The budget is prepared by the Budget Officer and approved by the Commissioners' Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary transfers between departments must be approved by the Commissioners' Court.

As confirmed by recent U.S. Census figures, Van Zandt has experienced a population growth of 4.8% since 2010.

Accordingly, the requirements for services to citizens, in addition to ongoing unfunded mandates from the state and federal governments, have increased substantially while revenue options available to County government continue to be severely limited. Even state-authorized increases to fees such as court costs are usually tied to dedicated funds to be turned over to the state with any local retainage dedicated and not available to the County for General Fund expenses.

The County continues to experience an increase in expenses for federal mandates related to elections; and increased expenses for state mandates relating to the reporting of case management. The increasing cost of materials and fuel continue to erode the purchase power of Road and Bridge precincts and law enforcement.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. The officials will take additional steps of reductions and increasing revenues as much as possible, although the County also expects expenditures grow, but at a smaller pace than the increase in revenue.

For fiscal year 2018 the County has total resources of \$23,578,365. Included in this number is a carryover of \$2,250,703 from the previous years fund balance. The property tax rate is \$.615847 and includes a \$.10 special road tax. The fiscal year 2018 budget will raise additional property taxes of \$337,334.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's office, at 121 East Dallas, Room 102, Canton, Texas 75103.



# **BASIC FINANCIAL STATEMENTS**

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**VAN ZANDT COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>Primary Government</u>      |
|--|--------------------------------|
|  | <u>Governmental Activities</u> |
| <b>ASSETS</b>  |                                |
| Cash and cash equivalents                            | \$ 4,296,525                   |
| Receivables (net of allowance for doubtful accounts) | 3,439,885                      |
| Prepays and other assets                             | 5,945                          |
| Capital assets (net of accumulated depreciation):    |                                |
| Land   | 514,749                        |
| Buildings  | 2,834,919                      |
| Machinery and equipment                              | 1,725,837                      |
| Infrastructure                                       | 5,257,880                      |
| Total Capital Assets                                 | 10,333,385                     |
| Total Assets   | 18,075,740                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                                |
| Deferred charge on pension                           | 1,926,964                      |
| Total Deferred Outflows of Resources                 | 1,926,964                      |
| <b>LIABILITIES</b>                                   |                                |
| Accounts payable                                     | 1,154,799                      |
| Accrued liabilities                                  | 304,314                        |
| Accrued interest payable                             | 66,658                         |
| Due to other governments                             | 163,755                        |
| Long-term debt:                                      |                                |
| Due within one year                                  | 1,422,842                      |
| Due in more than one year                            | 5,884,001                      |
| Total Liabilities                                    | 8,996,369                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                                |
| Deferred charge on pension                           | 163,856                        |
| Total Deferred Inflows of Resources                  | 163,856                        |
| <b>NET POSITION</b>                                  |                                |
| Net investment in capital assets                     | 4,913,211                      |
| Restricted for:                                      |                                |
| Road and bridge                                      | 1,311,558                      |
| Court technology and security                        | 51,105                         |
| Records management                                   | 729,876                        |
| Judicial   | 63,919                         |
| Public safety  | 199,941                        |
| Law library  | 50,405                         |
| Conservation   | 17,475                         |
| Economic Development                                 | 237,174                        |
| Historical commission                                | 9,245                          |
| Disaster relief                                      | 841,038                        |
| Capital projects                                     | 172                            |
| Debt service   | 875,969                        |
| Unrestricted   | 1,541,391                      |
| Total Net Position                                   | \$ 10,842,479                  |

The notes to the basic financial statements are an integral part of this statement.

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**VAN ZANDT COUNTY, TEXAS**

**STATEMENT OF ACTIVITIES**

**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

| Functions/Programs               | Expenses      | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|----------------------------------|---------------|-------------------------|--|--|
|                                  |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary<br>Government<br>Governmental<br>Activities        |
| <b>Primary Government:</b>       |               |                         |  |  |
| Governmental activities:         |               |                         |  |  |
| General government               | \$ 3,664,342  | \$ 936,826              | \$ 168,613                               | \$( 2,558,903)   |
| Judicial                         | 2,702,820     | 1,924,899               | 164,767                                  | ( 613,154)   |
| Public safety                    | 5,895,377     | 236,816                 | 69,499                                   | ( 5,589,062)   |
| Health and welfare               | 204,297       | -                       | 68,245                                   | ( 136,052)   |
| Highways and bridges             | 7,738,581     | 1,040,588               | 839,213                                  | ( 5,858,780)   |
| Cultural and recreation          | 124,947       | 8,347                   | -  | ( 116,600)   |
| Conservation                     | 85,725        | -                       | -  | ( 85,725)  |
| Sanitation                       | 78,029        | 165,039                 | -  | 87,010   |
| Interest on long-term debt       | 185,372       | -                       | -  | ( 185,372)   |
| Total primary government         | \$ 20,679,489 | \$ 4,312,515            | \$ 1,310,337                             | ( 15,056,637)  |
| General revenues:                |               |                         |  |  |
| Property taxes                   |               |                         |  | 14,055,922   |
| Investment earnings              |               |                         |  | 54,847   |
| Insurance recoveries             |               |                         |  | 110,849  |
| Other                            |               |                         |  | 418,594  |
| Total general revenues           |               |                         |  | 14,640,212   |
| Change in net position           |               |                         |  | ( 416,425)   |
| Net position - beginning of year |               |                         |  | 11,258,904   |
| Net position - end of year       |               |                         |  | \$ 10,842,479  |

The notes to the financial statements are an integral part of this statements.

**VAN ZANDT COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

|   | General             | Road and<br>Bridge<br>Precinct #1 | Road and<br>Bridge<br>Precinct #2 | Road and<br>Bridge<br>Precinct #3 |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>   |                     |                                   |                                   |                                   |
| Cash and cash equivalents   | \$ 663,368          | \$ 366,079                        | \$ 611,178                        | \$ 421,299                        |
| Receivables (net of allowance of uncollectibles) :                  |                     |                                   |                                   |                                   |
| Accounts  | 1,612,993           | 8,658                             | 11,044                            | 9,340                             |
| Property Taxes  | 511,171             | 43,571                            | 57,531                            | 49,476                            |
| Due from other governments  | 32,779              | -                                 | -                                 | -                                 |
| Prepaid and other assets  | 5,945               | -                                 | -                                 | -                                 |
| Due from other funds  | 321,117             | -                                 | -                                 | -                                 |
| Total assets  | <u>3,147,373</u>    | <u>418,308</u>                    | <u>679,753</u>                    | <u>480,115</u>                    |
| <b>LIABILITIES</b>  |                     |                                   |                                   |                                   |
| Accounts payable  | 564,547             | 97,059                            | 48,424                            | 120,240                           |
| Accrued Liabilities   | 230,894             | 10,937                            | 13,849                            | 14,177                            |
| Due to other governments  | 163,755             | -                                 | -                                 | -                                 |
| Due to other funds  | 3,887               | -                                 | -                                 | -                                 |
| Total liabilities   | <u>963,083</u>      | <u>107,996</u>                    | <u>62,273</u>                     | <u>134,417</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                     |                                   |                                   |                                   |
| Unavailable revenue - fines   | 1,359,652           | -                                 | -                                 | -                                 |
| Unavailable revenue - grants  | 1,753               | -                                 | -                                 | -                                 |
| Unavailable revenue - property taxes                                | 440,974             | 38,057                            | 42,281                            | 42,092                            |
| Total deferred inflows of resources                                 | <u>1,802,379</u>    | <u>38,057</u>                     | <u>42,281</u>                     | <u>42,092</u>                     |
| <b>FUND BALANCES</b>  |                     |                                   |                                   |                                   |
| Nonspendable:   |                     |                                   |                                   |                                   |
| Prepaid expenditures  | 5,945               | -                                 | -                                 | -                                 |
| Restricted for:   |                     |                                   |                                   |                                   |
| Road and bridge   | -                   | 272,255                           | 575,199                           | 303,606                           |
| Court technology and security                                       | -                   | -                                 | -                                 | -                                 |
| Records management  | -                   | -                                 | -                                 | -                                 |
| Judicial  | -                   | -                                 | -                                 | -                                 |
| Public safety   | -                   | -                                 | -                                 | -                                 |
| Debt service  | -                   | -                                 | -                                 | -                                 |
| Law library   | -                   | -                                 | -                                 | -                                 |
| Conservation  | -                   | -                                 | -                                 | -                                 |
| Economic development  | -                   | -                                 | -                                 | -                                 |
| Capital projects  | -                   | -                                 | -                                 | -                                 |
| Historical commission   | -                   | -                                 | -                                 | -                                 |
| Disaster relief   | -                   | -                                 | -                                 | -                                 |
| Unassigned  | 375,966             | -                                 | -                                 | -                                 |
| Total fund balances   | <u>381,911</u>      | <u>272,255</u>                    | <u>575,199</u>                    | <u>303,606</u>                    |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 3,147,373</u> | <u>\$ 418,308</u>                 | <u>\$ 679,753</u>                 | <u>\$ 480,115</u>                 |

The notes to the basic financial statements are an integral part of this statement.

| Road and<br>Bridge<br>Precinct #4 | Van<br>Tornado<br>Assistance | Debt Service<br>Fund | Other<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|------------------------------|----------------------|--|--------------------------------|
| \$ -                              | \$ -                         | \$ 868,235           | \$ 1,366,366                               | \$ 4,296,525                   |
| 5,491                             | -                            | 3,680                | 102,109                                    | 1,753,315                      |
| 42,899                            | -                            | 66,825               | -  | 771,473                        |
| -                                 | 579,788                      | -                    | 302,530                                    | 915,097                        |
| -                                 | -                            | -                    | -  | 5,945                          |
| -                                 | -                            | 3,887                | -  | 325,004                        |
| <u>48,390</u>                     | <u>579,788</u>               | <u>942,627</u>       | <u>1,771,005</u>                           | <u>8,067,359</u>               |
| 242,930                           | -                            | -                    | 81,599                                     | 1,154,799                      |
| 13,501                            | -                            | -                    | 20,956                                     | 304,314                        |
| -                                 | -                            | -                    | -  | 163,755                        |
| <u>3,319</u>                      | <u>43,988</u>                | <u>-</u>             | <u>273,810</u>                             | <u>325,004</u>                 |
| <u>259,750</u>                    | <u>43,988</u>                | <u>-</u>             | <u>376,365</u>                             | <u>1,947,872</u>               |
| -                                 | -                            | -                    | -  | 1,359,652                      |
| -                                 | 452,098                      | -                    | 286,931                                    | 740,782                        |
| <u>38,068</u>                     | <u>-</u>                     | <u>59,169</u>        | <u>-</u>                                   | <u>660,641</u>                 |
| <u>38,068</u>                     | <u>452,098</u>               | <u>59,169</u>        | <u>286,931</u>                             | <u>2,761,075</u>               |
| -                                 | -                            | -                    | -  | 5,945                          |
| -                                 | -                            | -                    | -  | 1,151,060                      |
| -                                 | -                            | -                    | 51,105                                     | 51,105                         |
| -                                 | -                            | -                    | 729,876                                    | 729,876                        |
| -                                 | -                            | -                    | 63,919                                     | 63,919                         |
| -                                 | -                            | -                    | 199,941                                    | 199,941                        |
| -                                 | -                            | 883,458              | -  | 883,458                        |
| -                                 | -                            | -                    | 50,405                                     | 50,405                         |
| -                                 | -                            | -                    | 17,475                                     | 17,475                         |
| -                                 | -                            | -                    | 237,174                                    | 237,174                        |
| -                                 | -                            | -                    | 172  | 172                            |
| -                                 | -                            | -                    | 9,245                                      | 9,245                          |
| -                                 | 83,702                       | -                    | 16,554                                     | 100,256                        |
| <u>( 249,428)</u>                 | <u>-</u>                     | <u>-</u>             | <u>( 268,157)</u>                          | <u>( 141,619)</u>              |
| <u>( 249,428)</u>                 | <u>83,702</u>                | <u>883,458</u>       | <u>1,107,709</u>                           | <u>3,358,412</u>               |
| <u>\$ 48,390</u>                  | <u>\$ 579,788</u>            | <u>\$ 942,627</u>    | <u>\$ 1,771,005</u>                        | <u>\$ 8,067,359</u>            |

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**VAN ZANDT COUNTY, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION (EXHIBIT 1)**

**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

|   |    |                          |
|---|----|--------------------------|
| Total fund balances governmental funds (Exhibit 3)  | \$ | 3,358,412                |
| Capital assets used in governmental activities are not current financial resources there, are not reported in the governmental funds balance sheet.                                 |    | 10,333,385               |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.        |    | 2,761,075                |
| Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. | (  | 66,658)                  |
| Deferred outflows represent the consumption of net position that are applicable to a future reported period.  |    | 1,926,964                |
| Deferred inflows is an acquisition of net assets that is applicable to a future reporting period.   | (  | 163,856)                 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.             | (  | <u>7,306,843</u> )       |
| Net position of governmental activities   | \$ | <u><u>10,842,479</u></u> |

## VAN ZANDT COUNTY, TEXAS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

|  | General           | Road and<br>Bridge<br>Precinct #1 | Road and<br>Bridge<br>Precinct #2 | Road and<br>Bridge<br>Precinct #3 |
|--|-------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>REVENUES</b>  |                   |                                   |                                   |                                   |
| Property taxes   | \$ 8,599,588      | \$ 574,707                        | \$ 696,018                        | \$ 584,609                        |
| Property taxes - special road tax                            | -                 | 391,789                           | 600,672                           | 607,412                           |
| Permits, licenses and fees                                   | 2,371,565         | 248,202                           | 296,679                           | 255,562                           |
| Investment earnings  | 21,820            | 3,917                             | 9,192                             | 4,583                             |
| Intergovernmental revenues                                   | 336,403           | 82,151                            | 98,961                            | 83,566                            |
| Other revenues and fees                                      | 154,527           | -                                 | -                                 | 4,434                             |
|  | <u>11,483,903</u> | <u>1,300,766</u>                  | <u>1,701,522</u>                  | <u>1,540,166</u>                  |
| Total revenues   |                   |                                   |                                   |                                   |
| <b>EXPENDITURES</b>  |                   |                                   |                                   |                                   |
| Current:   |                   |                                   |                                   |                                   |
| General government   | 2,927,078         | -                                 | -                                 | -                                 |
| Judicial   | 2,523,221         | -                                 | -                                 | -                                 |
| Public safety  | 4,774,226         | -                                 | -                                 | -                                 |
| Health and welfare   | 202,570           | -                                 | -                                 | -                                 |
| Conservation   | 78,396            | -                                 | -                                 | -                                 |
| Highways and bridges   | 39,956            | 1,165,968                         | 3,061,114                         | 1,382,145                         |
| Cultural and recreation                                      | 120,440           | -                                 | -                                 | -                                 |
| Sanitation   | 76,782            | -                                 | -                                 | -                                 |
| Capital outlay   | 291,631           | 126,950                           | 121,088                           | 84,400                            |
| Debt service:  |                   |                                   |                                   |                                   |
| Principal retirement   | 128,287           | 37,211                            | 18,710                            | -                                 |
| Interest and fiscal charges                                  | 9,369             | 149                               | 1,570                             | -                                 |
|  | <u>11,171,956</u> | <u>1,330,278</u>                  | <u>3,202,482</u>                  | <u>1,466,545</u>                  |
| Total expenditures   |                   |                                   |                                   |                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>311,947</u>    | <u>( 29,512)</u>                  | <u>( 1,500,960)</u>               | <u>73,621</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                                   |                                   |                                   |
| Capital lease proceeds                                       | 150,000           | -                                 | -                                 | -                                 |
| Insurance recoveries   | 110,849           | 35,125                            | -                                 | -                                 |
| Sale of assets   | 10,564            | -                                 | -                                 | -                                 |
| Transfers in   | 50,648            | 93,927                            | 514,547                           | 40,190                            |
| Transfers (out)  | ( 193,544)        | ( 140,352)                        | ( 23,932)                         | ( 12,662)                         |
|  | <u>128,517</u>    | <u>( 11,300)</u>                  | <u>490,615</u>                    | <u>27,528</u>                     |
| Total other financing sources (uses)                         |                   |                                   |                                   |                                   |
| Net change in fund balances                                  | 440,464           | ( 40,812)                         | ( 1,010,345)                      | 101,149                           |
| Fund balances, Beginning                                     | ( 58,553)         | 313,067                           | 1,585,544                         | 202,457                           |
| Fund balances, Ending  | <u>\$ 381,911</u> | <u>\$ 272,255</u>                 | <u>\$ 575,199</u>                 | <u>\$ 303,606</u>                 |

The notes to the basic financial statements  
are an integral part of this statement.

| Road and<br>Bridge<br>Precinct #4 | Van<br>Tornado<br>Assistance | Debt<br>Service Fund     | Other<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|------------------------------|--------------------------|--|--------------------------------|
| \$ 563,119                        | \$ -                         | \$ 945,964               | \$ -                                       | \$ 11,964,005                  |
| 394,379                           | -                            | -                        | -  | 1,994,252                      |
| 243,424                           | -                            | -                        | 938,484                                    | 4,353,916                      |
| 3,359                             | -                            | 5,737                    | 6,239                                      | 54,847                         |
| 90,494                            | 199,771                      | -                        | 745,311                                    | 1,636,657                      |
| -                                 | -                            | -                        | 2,302                                      | 161,263                        |
| <u>1,294,775</u>                  | <u>199,771</u>               | <u>951,701</u>           | <u>1,692,336</u>                           | <u>20,164,940</u>              |
| -                                 | -                            | -                        | 333,450                                    | 3,260,528                      |
| -                                 | -                            | -                        | 108,646                                    | 2,631,867                      |
| -                                 | -                            | -                        | 656,639                                    | 5,430,865                      |
| -                                 | -                            | -                        | -  | 202,570                        |
| -                                 | -                            | -                        | 6,000                                      | 84,396                         |
| 1,594,388                         | -                            | -                        | -  | 7,243,571                      |
| -                                 | -                            | -                        | -  | 120,440                        |
| -                                 | -                            | -                        | -  | 76,782                         |
| 172,387                           | -                            | -                        | -  | 796,456                        |
| -                                 | -                            | 975,000                  | -  | 1,159,208                      |
| -                                 | -                            | 182,663                  | -  | 193,751                        |
| <u>1,766,775</u>                  | <u>-</u>                     | <u>1,157,663</u>         | <u>1,104,735</u>                           | <u>21,200,434</u>              |
| <u>( 472,000)</u>                 | <u>199,771</u>               | <u>( 205,962)</u>        | <u>587,601</u>                             | <u>( 1,035,494)</u>            |
| -                                 | -                            | -                        | -  | 150,000                        |
| -                                 | -                            | -                        | 4,579                                      | 150,553                        |
| -                                 | -                            | -                        | -  | 10,564                         |
| 183,068                           | 177,969                      | -                        | 246,980                                    | 1,307,329                      |
| <u>( 105,107)</u>                 | <u>( 286,426)</u>            | <u>-</u>                 | <u>( 545,306)</u>                          | <u>( 1,307,329)</u>            |
| <u>77,961</u>                     | <u>( 108,457)</u>            | <u>-</u>                 | <u>( 293,747)</u>                          | <u>311,117</u>                 |
| <u>( 394,039)</u>                 | <u>91,314</u>                | <u>( 205,962)</u>        | <u>293,854</u>                             | <u>( 724,377)</u>              |
| <u>144,611</u>                    | <u>( 7,612)</u>              | <u>1,089,420</u>         | <u>813,855</u>                             | <u>4,082,789</u>               |
| <u><u>\$ ( 249,428)</u></u>       | <u><u>\$ 83,702</u></u>      | <u><u>\$ 883,458</u></u> | <u><u>\$ 1,107,709</u></u>                 | <u><u>\$ 3,358,412</u></u>     |

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## VAN ZANDT 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

Amounts report for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds \$( 724,377)

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

Expenditures for capital assets 801,956  
Less: current year depreciation ( 1,060,597)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. ( 13,446)

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

Property taxes 97,665  
Court fines 101,614  
Grant revenue ( 248,826)

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

Compensated absences 7,624  
Net pension liability ( 395,625)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the 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.

Repayment of long-term liabilities 1,159,208  
Issuance of long-term debt ( 150,000)

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.

8,379

Change in net position of governmental activities \$( 416,425)

**VAN ZANDT COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**ASSETS**

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ <u>4,196,450</u> |
| Total assets              | <u>4,196,450</u>    |

**LIABILITIES**

|                                       |                            |
|---------------------------------------|----------------------------|
| Due to other agencies and individuals | <u>4,196,450</u>           |
| Total liabilities                     | <u><u>\$ 4,196,450</u></u> |

**VAN ZANDT COUNTY, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Van Zandt County (the County) is a public corporation and political subdivision of the state of Texas. The Commissioners' Court, which is made up of four commissioners and County Judge, 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 as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (courts, juries, district attorney, etc.) public safety (sheriff, constables, jails and community supervision, etc.), health and welfare (assistance to indigents, veteran services, etc.), highways and bridges, cultural and recreation, conservation, and sanitation.

The accounting and reporting policies of the County relating to the fund included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

The basic financial statements are prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. The County's statement of net position includes both noncurrent assets and noncurrent liabilities of the County. In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure.

For financial reporting purposes, based on standards established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, this financial statement presents the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. Under these standards, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

#### *Government-wide Financial Statements*

The **government-wide financial statements** include the Statement of Net Position and the Statement of Activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements, but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes, intergovernmental revenues, and charges for services.

#### **B. 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. Under this measurement focus, 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. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

The Statement of Activities reflects the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Program revenues for governmental activities include those generated from general government, judicial, public safety, highways and bridges, cultural and recreation, and sanitation. Taxes and other items not properly included in program revenues are reported as general revenues.



Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, the Road and Bridge Funds, Van Tornado Assistance Fund and the Debt Service Fund are classified as major governmental funds. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include Special Revenue and Capital Projects. The combined amounts for these funds are reflected in a single column in the Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for all non-major funds are presented within Combining Schedules.

### ***Fund-Level Financial Statements***

**Fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers revenues as available if they are collected within 60 days after the fiscal year ends. Expenditure generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when a payment is due.

Property tax revenues, the County’s primary revenue source, is susceptible to accrual and is considered available to the extent of delinquent taxes collected within 60 days after the end of the fiscal period. Grant and entitlement revenues are also subject to accrual. Encumbrances are used during the year and any liquidated items expire at year end.

Governmental funds are accounted for using the current financial resources measurement focus. This means that only current assets, current liabilities, and current deferred outflows/inflows of resources are generally included on their balance sheet. Their reported fund balance (net current assets and current deferred outflows of resources) is considered a measure of “available spending resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and current deferred outflows of resources. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

The County’s accounts are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenses or expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds and fiduciary funds, although the latter are excluded from the government-wide statements.

The County reports the following major governmental funds:

- The **General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, permits, licenses and fees, intergovernmental revenues and investment earnings. Primary expenditures are for general government, judicial, public safety, health and welfare, conservation, highways and bridges, cultural and recreation and sanitation.
- The **Road and Bridge Special Revenue Funds** account for the activities associated with the building, maintaining, or improving roads, highways, and bridges within the County, including maintenance of road and bridge facilities. Major revenue sources include property taxes and charges for services.
- The **Van Tornado Assistance Fund** accounts for the activities associated with disaster recovery related to tornado damage. Major revenue sources include intergovernmental revenue.
- The **Debt Service Fund** is used to account for the payment of the County's debt. Major revenue sources are from property taxes.

Additionally, the County reports the following fund type:

- The **Agency Funds** are used to account for assets that the County holds on behalf of others as their agent.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and Texas Local Government Investment Pool, and MBIA Municipal Investors.

Investments for the County are reported at fair value. The State Treasurer's Investment Pool and MBIA Municipal Investors operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

## 2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advance between funds, are reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectables. Trade amounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables. The property tax receivable allowance is equal to 22 percent of outstanding property taxes as of September 30, 2017.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

## 3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources.” Prepaids are accounted for using this consumption method. Under the consumption method, prepaids are recorded as expenditures when they are used.

## 4. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and estimated useful lives in excess of one year. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an assets with equivalent service potential at the acquisition date.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets                  | Years |
|-------------------------|-------|
| Buildings               | 20-50 |
| Improvements            | 5-50  |
| Machinery and equipment | 5-20  |

## 5. Compensated Absences

The County allows full time regular employees to accumulate unused vacation time, based on years of service, to a maximum of 20 days and unused sick time to a maximum of 60 days. Employees may also accumulate compensatory time up to a maximum of 30 days (60 days for law enforcement officers). Upon termination, vacation leave and compensatory time computed under these provisions will be paid to the employees if two weeks' written notice is given. Accumulated sick leave is not paid upon termination, but will be paid only upon illness while in the employment of the County. All vacation pay is accrued when incurred in the government-wide financial statements.

The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and either taken off or paid at the employee's current rate of pay on termination, resignation, retirement or death.

## 6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 7. 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 did not have any items that qualified for reporting in this category other than the items related to the changes in net pension liability which are discussed below.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to the future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items, which arise only under a modified accrual basis of accounting that qualifies for reporting this category. Accordingly, the items unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, grants and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

The County also has deferred outflows related to the recording changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all beginning recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those contributions made by the County to the pension plan before year end but subsequent to the measurement date of the County's net pension liability are reported as deferred outflows of resources.

## 8. Estimates

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

## 9. 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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

## 10. Net Position Flow Assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## 11. Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## 12. 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 spend 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 board resolution 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 specific purpose but are neither restricted nor committed. This intent is determined by the Commissioners' Court or County Auditor.
- **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.

### 13. Equity Classification

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliations between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The detail of the \$2,761,075 difference is as follows:

|  |    |                         |
|--|----|-------------------------|
| Property taxes   | \$ | 660,641                 |
| Grants   |    | 740,782                 |
| Court receivables  |    | <u>1,359,652</u>        |
| Net adjustment to increase net change in fund balances -<br>total governmental funds to arrive at change in net<br>position of governmental activities | \$ | <u><u>2,761,075</u></u> |

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.” The detail of this (\$7,306,843) difference is as follows:

|  |     |                           |
|--|-----|---------------------------|
| Certificates of obligation payable   | \$( | 4,994,000)                |
| Notes payable obligations  | (   | 426,174)                  |
| Compensated absences   | (   | 469,263)                  |
| Net pension obligation   | (   | <u>1,417,406</u> )        |
| Net adjustment to reduce fund balance - total<br>governmental funds to arrive at net position<br>governmental activities | \$( | <u><u>7,306,843</u></u> ) |



Another element of that reconciliation states that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The detail of this \$ 10,333,385 difference is as follows:

|  |    |                   |
|--|----|-------------------|
| Beginning balance of capital assets, net of depreciation | \$ | 10,605,472        |
| Capital asset additions, net of retirements              |    | 788,510           |
| Depreciation of capital assets, current year             | (  | 1,060,597)        |
|  | \$ | <u>10,333,385</u> |

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Expenditures Over Appropriations

Contracts (\$47,225); Veterans (\$130); Public Buildings (\$5,767); Adult District Court (\$335); Support (\$267); Interest (\$637). These overages were funded with existing fund balance.

#### B. Deficit Fund Balance

Road and Bridge Precinct #4, Bulletproof Vest Grant, County Road Fund, Homeland Security, VOICES Grant, Juvenile Probation, and ETCOG Residential Grant funds have a deficit fund balance of (\$249,428), (\$5,430), (\$434), (\$303), (\$9,385), (\$250,115), (\$1,677), respectively. The County plans to cover these deficits with either transfers or greater revenues than expenditures.

### IV. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

|                                 |                     |
|---------------------------------|---------------------|
| Statement of net position:      |                     |
| Primary government              |                     |
| Cash and cash equivalents       | \$ <u>4,296,525</u> |
| Total cash and cash equivalents | \$ <u>4,296,525</u> |
| Cash on hand                    | \$ 4,703            |
| Checking and savings account    | 196,382             |
| External investment pools       | <u>4,095,440</u>    |
|                                 | \$ <u>4,296,525</u> |

All deposits are held in the County’s main depository or subdepository bank except funds held in trust by the Justice of the Peace offices number 1 and 4, and Auto Registration, which are not under a subdepository contract.

As of September 30, 2017, the County had the following cash equivalents:

| <u>Investment Type</u> | <u>Fair Value</u>   | <u>Weighted Average<br/>Maturity (Days)</u> |
|------------------------|---------------------|---|
| TexPool                | \$ 3,343,375        | 34  |
| MBIA Class             | <u>752,065</u>      | 53  |
| Total fair value       | <u>\$ 4,095,440</u> |   |

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

TexPool and Texas Class have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations, those of its agencies and instrumentalities, or direct obligations of Texas or its agencies instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, the carrying value of the County's deposit balance was fully collateralized with securities held by the pledging financial institution in the County's name of by FDIC insurance.

*Credit Risk.* It is the County's policy, as defined in the Texas Public Funds Investment Act, to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

The State Comptroller of Public Accounts exercised oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review.

The County also invests in Municipal Investors Service Corporation (MBIA), Texas Class. MBIA Texas Class is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two Acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. MBIA is currently rated AAAM by Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share.

### **Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectable accounts, are as follows:

|                                       | <u>General</u>       | <u>Road &amp;<br/>Bridge</u> | <u>Debt<br/>Service</u> | <u>Nonmajor<br/>Funds</u> | <u>Total</u>         |
|---------------------------------------|----------------------|------------------------------|-------------------------|---------------------------|----------------------|
| Receivables:                          |                      |                              |                         |                           |                      |
| Taxes                                 | \$ 655,003           | \$ 246,114                   | \$ 85,628               | \$ -                      | \$ 986,745           |
| Accounts                              | <u>13,849,858</u>    | <u>34,533</u>                | <u>3,680</u>            | <u>102,109</u>            | <u>13,990,180</u>    |
| Gross receivables                     | <u>14,504,861</u>    | <u>280,647</u>               | <u>89,308</u>           | <u>102,109</u>            | <u>14,976,925</u>    |
| Less: allowance for<br>uncollectibles | <u>( 12,380,697)</u> | <u>( 52,637)</u>             | <u>( 18,803)</u>        | <u>-</u>                  | <u>( 12,452,137)</u> |
| Net total receivables                 | <u>\$ 2,124,164</u>  | <u>\$ 228,010</u>            | <u>\$ 70,505</u>        | <u>\$ 102,109</u>         | <u>\$ 2,524,788</u>  |

## Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases          | Ending<br>Balance    |
|--|----------------------|---------------------|--------------------|----------------------|
| Governmental Activities:                     |                      |                     |                    |                      |
| Capital assets, not being depreciated:       |                      |                     |                    |                      |
| Land   | \$ 514,749           | \$ -                | \$ -               | \$ 514,749           |
| Total capital assets, not being depreciated  | <u>514,749</u>       | <u>-</u>            | <u>-</u>           | <u>514,749</u>       |
| Capital assets, being depreciated:           |                      |                     |                    |                      |
| Buildings and improvements                   | 7,788,798            | -                   | -                  | 7,788,798            |
| Machinery and equipment                      | 8,315,318            | 801,956             | ( 115,384)         | 9,001,890            |
| Infrastructure                               | <u>8,311,778</u>     | <u>-</u>            | <u>-</u>           | <u>8,311,778</u>     |
| Total capital assets being depreciated       | <u>24,415,894</u>    | <u>801,956</u>      | <u>( 115,384)</u>  | <u>25,102,466</u>    |
| Less accumulated depreciation:               |                      |                     |                    |                      |
| Buildings and improvements                   | ( 4,682,347)         | ( 271,532)          | -                  | ( 4,953,879)         |
| Machinery and equipment                      | ( 7,004,174)         | ( 373,817)          | 101,938            | ( 7,276,053)         |
| Infrastructure                               | <u>( 2,638,650)</u>  | <u>( 415,248)</u>   | <u>-</u>           | <u>( 3,053,898)</u>  |
| Total accumulated depreciation               | <u>( 14,325,171)</u> | <u>( 1,060,597)</u> | <u>101,938</u>     | <u>( 15,283,830)</u> |
| Total capital assets, being depreciated, net | <u>10,090,723</u>    | <u>( 258,641)</u>   | <u>( 13,446)</u>   | <u>9,818,636</u>     |
| Governmental activities capital assets, net  | <u>\$ 10,605,472</u> | <u>\$( 258,641)</u> | <u>\$( 13,446)</u> | <u>\$ 10,333,385</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$ 343,542          |
| Public safety  | 286,795             |
| Highways and bridges                                 | <u>430,260</u>      |
| Total depreciation expense - governmental activities | <u>\$ 1,060,597</u> |

## Interfund Receivables, Payables and Transfers

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

### Due to/from other funds:

| Receivable Fund | Payable Fund              | Amount            |
|-----------------|---------------------------|-------------------|
| General Fund    | Road & Bridge Precinct #4 | \$ 3,319          |
| General Fund    | Van Tornado Assistance    | 43,988            |
| General Fund    | Nonmajor Funds            | 273,810           |
| Debt Service    | General Fund              | <u>3,887</u>      |
|                 |                           | <u>\$ 325,004</u> |

|                        | Transfer In      |                      |                           |                          | Total               |
|------------------------|------------------|----------------------|---------------------------|--------------------------|---------------------|
|                        | General          | Road & Bridge<br>1-4 | Van Tornado<br>Assistance | Nonmajor<br>Governmental |                     |
| Transfer out:          |                  |                      |                           |                          |                     |
| General                | \$ -             | \$ -                 | \$ -                      | \$ 193,544               | \$ 193,544          |
| Road & Bridge 1-4      | 50,648           |                      | 177,969                   | 53,436                   | 282,053             |
| Van Tornado Assistance | -                | 286,426              | -                         | -                        | 286,426             |
| Nonmajor governmental  | <u>-</u>         | <u>545,306</u>       | <u>-</u>                  | <u>-</u>                 | <u>545,306</u>      |
| Total transfers        | <u>\$ 50,648</u> | <u>\$ 831,732</u>    | <u>\$ 177,969</u>         | <u>\$ 246,980</u>        | <u>\$ 1,307,329</u> |

## Long-Term Liabilities

The County has issued certificates of obligation in prior years for the construction and purchase of capital assets. The proceeds were used to construct a jail, improve county infrastructure and purchasing buildings for county use. The County has also entered into financing contracts or notes with Government Capital Finance Corporation for the purchase of capital assets such as computer systems, road and bridge equipment, and law enforcement vehicles. Outstanding certificates of obligation and notes as of September 30, 2017 are comprised of the following issues:

| <u>Certificates of Obligation:</u>      | Original     |            |          |              |
|---|--------------|------------|----------|--------------|
| Name                                    | Issue        | Maturity   | Interest | Current      |
|   | Amount       | Date       | Rate     | Balance      |
| Series 2004 Combination Tax and Revenue |              |            |          |              |
| Certificates of Obligation              | \$ 1,500,000 | 2/15/2019  | 4.65%    | \$ 270,000   |
| Series 2008 Certificates of Obligation  | 6,375,000    | 4/30/2023  | 3.39%    | 2,935,000    |
| Series 2010 Certificates of Obligation  | 4,099,000    | 12/15/2020 | 3.02%    | 1,789,000    |
|   |              |            |          | \$ 4,994,000 |

| <u>Notes Payable:</u>                             | Original |            |          |            |
|---|----------|------------|----------|------------|
| Name  | Issue    | Maturity   | Interest | Current    |
|   | Amount   | Date       | Rate     | Balance    |
| Governmental Capital Corporation - Contract #6464 | 125,000  | 4/15/2018  | 3.20%    | \$ 26,134  |
| Governmental Capital Corporation - Contract #6722 | 73,924   | 8/1/2018   | 4.31%    | 19,308     |
| Governmental Capital Corporation - Contract #6795 | 125,000  | 8/1/2018   | 4.31%    | 32,874     |
| Governmental Capital Corporation - Contract #6851 | 150,000  | 12/5/2019  | 3.20%    | 92,429     |
| Governmental Capital Corporation - Contract #6235 | 149,105  | 12/5/2019  | 3.20%    | 105,429    |
| Governmental Capital Corporation - Contract #7555 | 150,000  | 12/30/2020 | 3.22%    | 150,000    |
|   |          |            |          | \$ 426,174 |

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

|                             | Beginning    |              |              | Ending       | Due Within   |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
|                             | Balance      | Additions    | Reductions   | Balance      | One Year     |
| Governmental activities     |              |              |              |              |              |
| Certificates of obligation  | \$ 5,969,000 | \$ -         | \$ 975,000   | \$ 4,994,000 | \$ 1,147,000 |
| Notes/Leases                | 460,382      | 150,000      | 184,208      | 426,174      | 181,989      |
| Net Pension Liability       | 1,518,452    | 462,081      | 563,127      | 1,417,406    | -            |
| Compensated absences        | 476,887      | 479,375      | 486,999      | 469,263      | 93,853       |
| Total governmental activity |              |              |              |              |              |
| Long-term liabilities       | \$ 8,424,721 | \$ 1,091,456 | \$ 2,209,334 | \$ 7,306,843 | \$ 1,422,842 |

For the governmental activities, compensated absences are generally liquidated by the General Fund and Road & Bridge funds.

### Debt Service Requirements

Debt service requirements for certificates of obligation are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total<br/>Requirements</u> |
|--------------------------------------|---------------------|-------------------|-------------------------------|
| 2018                                 | \$ 1,007,000        | \$ 156,610        | \$ 1,163,610                  |
| 2019                                 | 1,045,000           | 121,985           | 1,166,985                     |
| 2020                                 | 934,000             | 89,467            | 1,023,467                     |
| 2021                                 | 963,000             | 59,273            | 1,022,273                     |
| 2022                                 | 515,000             | 35,426            | 550,426                       |
| 2023                                 | <u>530,000</u>      | <u>17,967</u>     | <u>547,967</u>                |
| Total                                | <u>\$ 4,994,000</u> | <u>\$ 480,728</u> | <u>\$ 5,474,728</u>           |

Debt Service requirements for notes are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total<br/>Requirements</u> |
|--------------------------------------|-------------------|------------------|-------------------------------|
| 2018                                 | \$ 180,981        | \$ 41,405        | \$ 222,386                    |
| 2019                                 | 105,129           | 5,774            | 110,903                       |
| 2020                                 | 70,023            | 3,521            | 73,544                        |
| 2021                                 | <u>70,041</u>     | <u>1,271</u>     | <u>71,312</u>                 |
| Total                                | <u>\$ 426,174</u> | <u>\$ 51,971</u> | <u>\$ 478,145</u>             |

## **V. 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; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss by obtaining property, casualty, liability and other coverage through participation in the Texas Association of Counties – County Government Risk Management Pool, a public entity risk pool. The County pays an annual premium for its coverage. As claims are filed, the County pays the applicable deductible amount and the risk pool pays the additional amounts over the deductible, up to the applicable limit of liability. As of September 30, 2017, the County had not liability for unpaid claims or adjustments under policies carried with the risk pool. During the year ended September 30, 2017, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years, which exceeded insurance coverage carried by the County.

As of October 1, 2004, employees of the County were covered by a health insurance plan. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

## VI. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, many constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are currently claims and lawsuits pending against the County. It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that, if decided against the County, would have material adverse effect upon the operations of the County.

## VII. DEFINED BENEFIT PENSION PLAN

### Plan Description

Van Zandt 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 ages 60 and above with eight 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 contribution 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.

Plan Membership

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 | 136        |
| Inactive employees entitled to but not yet receiving benefits    | 281        |
| Active employees   | <u>230</u> |
|  | <u>647</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 7.94% and 7.43% in calendar years 2016 and 2017, respectively. The County’s contributions to TCDRS for the year ended September 30, 2017, were \$545,832 and were equal to the required contributions.

Net Pension Liability of the County

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 evaluation was determined using the following actuarial assumptions:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0% per year   |
| Overall payroll growth    | 3.5% per year   |
| Investment rate of return | 8.0%, net of pension plan investment expense, including inflation |

Cost-of-living adjustments (COLA) for the County are considered to be substantively automatic. Therefore, an annual 100% CPI cost-of-living adjustment is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for 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 2015 valuation to reflect projected improvements.

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

The 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</b> <sup>(1)</sup> | <b>Geometric Real Rate of Return (Expected minus Inflation)</b> <sup>(2)</sup> |
|---|---|---|--|
| 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 Markets | MSCI EM Standard (net) Index  | 7.00%                                   | 5.70%  |
| Investment-Grade Bonds                    | Bloomberg Barclays Capital 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/LST A 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%<br>FRSE 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<br>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 in addition to assumed inflation 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 rates used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rates specified in the 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 and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods 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                              | \$ 25,476,701              | \$ 23,958,249                  | \$ 1,518,452             |
| Changes for the year:                              |                            |                                |                          |
| Service cost                                       | 981,737                    | -                              | 981,737                  |
| Interest on total pension liability <sup>(1)</sup> | 2,044,552                  | -                              | 2,044,552                |
| Effect of economic/demographic gains or losses     | ( 177,662)                 | -                              | ( 177,662)               |
| Refund of contributions                            | ( 222,790)                 | ( 222,790)                     | -                        |
| Benefit payments                                   | ( 1,238,934)               | ( 1,238,934)                   | -                        |
| Administrative expenses                            | -                          | ( 19,257)                      | 19,257                   |
| Member contributions                               | -                          | 497,579                        | ( 497,579)               |
| Net investment income                              | -                          | 1,772,702                      | ( 1,772,702)             |
| Employer contributions                             | -                          | 564,398                        | ( 564,398)               |
| Other <sup>(2)</sup>                               | -                          | 134,251                        | ( 134,251)               |
| Balance at 12/31/2016                              | <u>\$ 26,863,604</u>       | <u>\$ 25,446,198</u>           | <u>\$ 1,417,406</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> Relates to allocation of system-wide items.

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Van Zandt County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

|                               | 1% Decrease         | Current<br>Discount Rate | 1% Increase            |
|-------------------------------|---------------------|--------------------------|------------------------|
|                               | 7.1%                | 8.1%                     | 9.1%                   |
| Total pension liability       | \$ 30,063,659       | \$ 26,863,604            | \$ 24,193,775          |
| Fiduciary net position        | <u>25,446,198</u>   | <u>25,446,198</u>        | <u>25,446,198</u>      |
| Net pension liability/(asset) | <u>\$ 4,617,461</u> | <u>\$ 1,417,406</u>      | <u>\$ ( 1,252,423)</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 \$942,728. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Inflows<br>of Resources | Deferred<br>Outflows<br>of Resources |
|---|-------------------------------------|--------------------------------------|
| Differences between expected and actual economic experience     | \$ 163,856                          | \$ -                                 |
| Changes in actuarial assumptions                                | -                                   | 89,035                               |
| Net difference between projected and actual investment earnings | -                                   | 1,443,746                            |
| Contributions made subsequent to the measurement date           | -                                   | 394,183                              |
| Total   | <u>\$ 163,856</u>                   | <u>\$ 1,926,964</u>                  |

Country contributions subsequent to the measurement date of \$394,183 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>September 30, |            |
|-----------------------------|------------|
| 2018                        | \$ 475,558 |
| 2019                        | 431,939    |
| 2020                        | 430,106    |
| 2021                        | 31,322     |

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**VAN ZANDT COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY  
AND RELATED RATIOS**

**SEPTEMBER 30, 2017**

| <b>Plan Year Ended December 31</b>                       | <b>2014</b>          | <b>2015</b>          | <b>2016</b>          |
|--|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>                           |                      |                      |                      |
| Service cost   | \$ 782,515           | \$ 796,066           | \$ 981,737           |
| Interest on total pension liability                      | 1,820,701            | 1,932,289            | 2,044,552            |
| Effect of plan changes                                   | -                    | ( 98,883)            | -                    |
| Effect of assumption changes or inputs                   | -                    | 267,104              | -                    |
| Effect of economic/demographic (gains) or losses         | ( 51,704)            | ( 136,245)           | ( 177,662)           |
| Benefit payments/refunds of contributions                | ( 1,220,569)         | ( 1,307,127)         | ( 1,461,724)         |
| Net change in total pension liability                    | 1,330,943            | 1,453,204            | 1,386,903            |
| Total pension liability, beginning                       | <u>22,692,554</u>    | <u>24,023,497</u>    | <u>25,476,701</u>    |
| Total pension liability, ending (a)                      | <u>\$ 24,023,497</u> | <u>\$ 25,476,701</u> | <u>\$ 26,863,604</u> |
| <b>Fiduciary Net Position</b>                            |                      |                      |                      |
| Employer contributions                                   | \$ 552,153           | \$ 580,642           | \$ 564,398           |
| Member contributions                                     | 453,117              | 498,099              | 497,579              |
| Investment income net of investment expenses             | 1,557,818            | ( 24,407)            | 1,772,702            |
| Benefit payments/refunds of contributions                | ( 1,220,569)         | ( 1,307,127)         | ( 1,461,724)         |
| Administrative expenses                                  | ( 18,133)            | ( 17,320)            | ( 19,257)            |
| Other  | ( 1,752)             | <u>13,222</u>        | <u>134,251</u>       |
| Net change in fiduciary net position                     | 1,322,634            | ( 256,891)           | 1,487,949            |
| Fiduciary net position, beginning                        | <u>22,892,506</u>    | <u>24,215,140</u>    | <u>23,958,249</u>    |
| Fiduciary net position, ending (b)                       | \$ 24,215,140        | \$ 23,958,249        | \$ 25,446,198        |
| Net pension liability/(asset), ending = (a)-(b)          | <u>\$ ( 191,643)</u> | <u>\$ 1,518,452</u>  | <u>\$ 1,417,406</u>  |
| Fiduciary net position as a % of total pension liability | 100.80%              | 94.04%               | 94.72%               |
| Pensionable covered payroll                              | \$ 6,473,107         | \$ 7,115,698         | \$ 7,108,278         |
| Net pension liability as a % of covered payroll          | -2.96%               | 21.34%               | 19.94%               |

**Notes to the Schedule:**

This schedule will present 10 years of information once it is accumulated.

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**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**SEPTEMBER 30, 2017**

| <b>Fiscal Year<br/>Ended<br/>September 30</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Actual<br/>Employer<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Pensionable<br/>Covered<br/>Payroll</b> | <b>Actual Contribution<br/>as a % of<br/>Covered Payroll</b> |
|---|--|---|---|--|--|
| 2014  | \$ 552,153   | \$ 552,153                                  | \$ -  | \$ 6,473,107                               | 8.5%   |
| 2015  | 559,065  | 559,065                                     | -   | 6,781,850                                  | 8.2%   |
| 2016  | 563,702  | 563,705                                     | -   | 7,032,802                                  | 8.0%   |
| 2017  | 545,832  | 545,832                                     | -   | 7,215,223                                  | 7.6%   |

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Timing**

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

**Actuarial Cost Method**

Entry Age Normal

**Amortization Method**

Level percentage of payroll, closed

**Remaining Amortization Period**

12.7 years (based on contribution rate calculated in 12/31/2016 valuation)

**Asset Valuation Method**

5-year smoothed market

**Inflation**

3.0%

**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**

2015: No changes in plan provisions

2016: No plan changes

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

**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

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

|                                  | Budget<br>Original   | Budget<br>Final      | Actual               | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|----------------------------------|----------------------|----------------------|----------------------|---|
| <b>REVENUES</b>                  |                      |                      |                      |   |
| Property Taxes:                  |                      |                      |                      |   |
| Taxes - current                  | \$ 8,335,553         | \$ 8,335,553         | \$ 8,206,055         | \$( 129,498)  |
| Taxes - delinquent               | 190,000              | 190,000              | 237,994              | 47,994  |
| Penalty and collection fees      | 140,000              | 140,000              | 155,539              | 15,539  |
| Total Property Taxes             | <u>8,665,553</u>     | <u>8,665,553</u>     | <u>8,599,588</u>     | <u>( 65,965)</u>  |
| Fees of Office:                  |                      |                      |                      |   |
| County judge                     | 10,000               | 10,000               | 3,368                | ( 6,632)  |
| County sheriff                   | 58,000               | 58,000               | 80,298               | 22,298  |
| County clerk fees                | 330,000              | 330,000              | 367,465              | 37,465  |
| County library fees              | 9,000                | 9,000                | 8,347                | ( 653)  |
| Tyler eagle internet             | 15,000               | 15,000               | 25,382               | 10,382  |
| Tax assessor-collector           | 410,000              | 410,000              | 507,043              | 97,043  |
| Child safety-tax office          | 80,000               | 80,000               | 78,301               | ( 1,699)  |
| District attorney                | 27,000               | 27,000               | 8,348                | ( 18,652)   |
| District clerk                   | 123,000              | 123,000              | 131,067              | 8,067   |
| Justice of the peace             | 139,975              | 139,975              | 120,150              | ( 19,825)   |
| Constable                        | 21,500               | 21,500               | 22,272               | 772   |
| Probation                        | 100                  | 100                  | 23                   | ( 77)   |
| County Court at law              | 163,000              | 163,000              | 226,341              | 63,341  |
| Jury fees                        | 13,600               | 13,600               | 22,748               | 9,148   |
| District court                   | 185,000              | 185,000              | 200,778              | 15,778  |
| Justice court                    | 310,000              | 310,000              | 326,127              | 16,127  |
| Legal fees/reimbursements        | 156,000              | 156,000              | 134,146              | ( 21,854)   |
| Citizens collection station      | 62,000               | 62,000               | 58,219               | ( 3,781)  |
| Inmate telephone revenue         | 50,000               | 50,000               | 51,142               | 1,142   |
| Total fees                       | <u>2,163,175</u>     | <u>2,163,175</u>     | <u>2,371,565</u>     | <u>208,390</u>  |
| Intergovernmental Revenues:      |                      |                      |                      |   |
| Intergovernmental revenues       | 336,403              | 336,403              | 336,403              | -   |
| Total Intergovernmental Revenues | <u>336,403</u>       | <u>336,403</u>       | <u>336,403</u>       | <u>-</u>  |
| Investment Earnings:             |                      |                      |                      |   |
| Depository interest              | 10,000               | 10,000               | 21,820               | 11,820  |
| Total Investment Earnings        | <u>10,000</u>        | <u>10,000</u>        | <u>21,820</u>        | <u>11,820</u>   |
| Other Revenues and Fees:         |                      |                      |                      |   |
| Rentals                          | 7,200                | 7,200                | 14,577               | 7,377   |
| Lease-adult probation            | 2,000                | 2,000                | -                    | ( 2,000)  |
| Tax sale excess proceeds         | -                    | -                    | 1,645                | 1,645   |
| Other revenues                   | 51,200               | 51,754               | 137,010              | 85,256  |
| Open records request             | 5,000                | 5,000                | 1,295                | ( 3,705)  |
| Grant proceeds                   | 500                  | 500                  | -                    | ( 500)  |
| Total Other Revenues and Fees    | <u>65,900</u>        | <u>66,454</u>        | <u>154,527</u>       | <u>88,073</u>   |
| Total Revenues                   | <u>\$ 11,241,031</u> | <u>\$ 11,241,585</u> | <u>\$ 11,483,903</u> | <u>\$ 242,318</u>                                       |

**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

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

|                             | Budget<br>Original | Budget<br>Final  | Actual           | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------|--------------------|------------------|------------------|---|
| <b>EXPENDITURES</b>         |                    |                  |                  |   |
| General Government:         |                    |                  |                  |   |
| County judge                | \$ 146,373         | \$ 146,372       | \$ 145,473       | \$ 899  |
| Commissioners' court        | 350                | 350              | 68               | 282   |
| Human Resources             | -                  | 48,391           | 43,970           | 4,421   |
| County clerk                | 302,819            | 311,104          | 302,500          | 8,604   |
| Elections                   | 87,767             | 79,482           | 73,585           | 5,897   |
| Non-department              | 406,425            | 361,161          | 324,516          | 36,645  |
| Contracts                   | 623,153            | 623,353          | 670,578          | ( 47,225)   |
| Veterans                    | 8,190              | 8,279            | 8,409            | ( 130)  |
| Collection department       | 51,008             | 51,008           | 47,444           | 3,564   |
| County auditor              | 236,630            | 236,630          | 233,964          | 2,666   |
| County treasurer            | 142,976            | 105,234          | 104,842          | 392   |
| Tax collector               | 305,568            | 307,825          | 300,971          | 6,854   |
| Data processing             | 466,642            | 464,142          | 454,594          | 9,548   |
| Public buildings            | 210,397            | 210,397          | 216,164          | ( 5,767)  |
| Total General Government    | <u>2,988,298</u>   | <u>2,953,728</u> | <u>2,927,078</u> | <u>26,650</u>   |
| Judicial System:            |                    |                  |                  |   |
| County court                | 13,071             | 11,539           | 9,210            | 2,329   |
| Juvenile county court       | 7,700              | 9,143            | 8,589            | 554   |
| District courts             | 462,844            | 506,921          | 501,364          | 5,557   |
| Adult district court        | 322,000            | 480,994          | 481,329          | ( 335)  |
| County court at law         | 369,288            | 372,288          | 358,779          | 13,509  |
| District clerk              | 239,857            | 239,857          | 231,284          | 8,573   |
| Justices of the peace       | 412,643            | 412,643          | 397,615          | 15,028  |
| District attorney           | 568,385            | 568,939          | 535,051          | 33,888  |
| Total Judicial System       | <u>2,395,788</u>   | <u>2,602,324</u> | <u>2,523,221</u> | <u>79,103</u>   |
| Public Safety:              |                    |                  |                  |   |
| Constables                  | 233,187            | 230,687          | 222,921          | 7,766   |
| Adult probation             | 1,600              | 1,600            | -                | 1,600   |
| Sheriff's department        | 2,364,937          | 2,439,509        | 2,413,921        | 25,588  |
| Jail                        | 2,217,887          | 2,210,637        | 2,100,157        | 110,480   |
| Department of public safety | 38,206             | 38,206           | 37,227           | 979   |
| Total Public Safety         | <u>4,855,817</u>   | <u>4,920,639</u> | <u>4,774,226</u> | <u>146,413</u>  |
| Conservation:               |                    |                  |                  |   |
| Extension service           | 85,947             | 85,947           | 78,396           | 7,551   |
| Total Conservation          | <u>\$ 85,947</u>   | <u>\$ 85,947</u> | <u>\$ 78,396</u> | <u>\$ 7,551</u>   |

**VAN ZANDT COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND**

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

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

|                              | Budget<br>Original | Budget<br>Final   | Actual            | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|--------------------|-------------------|-------------------|---|
| <b>EXPENDITURES (Cont'd)</b> |                    |                   |                   |   |
| Culture and Recreation:      |                    |                   |                   |   |
| County free library          | \$ 109,606         | \$ 109,606        | \$ 102,091        | \$ 7,515  |
| Office                       | <u>18,553</u>      | <u>18,965</u>     | <u>18,349</u>     | <u>616</u>  |
| Total Culture and Recreation | <u>128,159</u>     | <u>128,571</u>    | <u>120,440</u>    | <u>8,131</u>  |
| Highways and Bridges:        |                    |                   |                   |   |
| Support                      | <u>39,689</u>      | <u>39,689</u>     | <u>39,956</u>     | <u>( 267)</u>   |
| Total Highways and Bridges   | <u>39,689</u>      | <u>39,689</u>     | <u>39,956</u>     | <u>( 267)</u>   |
| Sanitation:                  |                    |                   |                   |   |
| Collection                   | <u>59,240</u>      | <u>77,529</u>     | <u>76,782</u>     | <u>747</u>  |
| Total Sanitation             | <u>59,240</u>      | <u>77,529</u>     | <u>76,782</u>     | <u>747</u>  |
| Indigent Health Fund:        |                    |                   |                   |   |
| Indigent health              | 40,886             | 40,886            | 40,579            | 307   |
| Office                       | <u>176,465</u>     | <u>176,465</u>    | <u>161,991</u>    | <u>14,474</u>   |
| Total Indigent Health        | <u>217,351</u>     | <u>217,351</u>    | <u>202,570</u>    | <u>14,781</u>   |
| Capital Outlay:              |                    |                   |                   |   |
| Data processing              | 27,203             | 74,500            | 27,203            | 47,297  |
| Public buildings             | 5,000              | 2,500             | -                 | 2,500   |
| Jail                         | 8,000              | 134,862           | 118,958           | 15,904  |
| Sheriff department           | <u>150,000</u>     | <u>160,750</u>    | <u>145,470</u>    | <u>15,280</u>   |
| Total Capital Outlay         | <u>\$ 190,203</u>  | <u>\$ 372,612</u> | <u>\$ 291,631</u> | <u>\$ 80,981</u>  |

**VAN ZANDT COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

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

|                                       | Budget<br>Original | Budget<br>Final       | Actual             | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|--------------------|-----------------------|--------------------|---|
| <b>EXPENDITURES (Cont'd)</b>          |                    |                       |                    |   |
| Debt Service:                         |                    |                       |                    |   |
| Principal                             | \$ 130,007         | \$ 130,459            | \$ 128,287         | \$ 2,172  |
| Interest                              | <u>8,732</u>       | <u>8,732</u>          | <u>9,369</u>       | ( <u>637</u> )  |
| Total Debt Service                    | <u>138,739</u>     | <u>139,191</u>        | <u>137,656</u>     | <u>1,535</u>  |
| Total Expenditures                    | <u>11,099,231</u>  | <u>11,537,581</u>     | <u>11,171,956</u>  | <u>365,625</u>  |
| Excess of Revenues Over Expenditures  | 141,800            | ( 295,996 )           | 311,947            | 607,943   |
| <b>OTHER FINANCING SOURCES (USES)</b> |                    |                       |                    |   |
| Capital lease proceeds                | 150,000            | 150,000               | 150,000            | -   |
| Insurance proceeds                    | 5,000              | 5,000                 | 110,849            | 105,849   |
| Sale of capital assets                | -                  | 10,564                | 10,564             | -   |
| Transfers in                          | 252,000            | 262,648               | 50,648             | ( 212,000 )   |
| Transfers out                         | ( <u>407,156</u> ) | ( <u>407,156</u> )    | ( <u>193,544</u> ) | <u>213,612</u>  |
| Total Other Financing Sources (Uses)  | ( <u>156</u> )     | <u>21,056</u>         | <u>128,517</u>     | <u>107,461</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>     | 141,644            | ( 274,940 )           | 440,464            | 715,404   |
| <b>FUND BALANCE, BEGINNING</b>        | ( <u>58,553</u> )  | ( <u>58,553</u> )     | ( <u>58,553</u> )  | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>           | <u>\$ 83,091</u>   | <u>\$ ( 333,493 )</u> | <u>\$ 381,911</u>  | <u>\$ 715,404</u>                                       |

**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

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

|  | Budget<br>Original | Budget<br>Final     | Actual            | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|---------------------|-------------------|---|
| <b>REVENUES</b>                              |                    |                     |                   |   |
| Tax Revenue                                  |                    |                     |                   |   |
| Taxes - current                              | \$ 559,551         | \$ 559,551          | \$ 550,799        | \$( 8,752)  |
| Taxes - delinquent                           | 11,000             | 11,000              | 13,467            | 2,467   |
| Penalty/interest                             | 8,000              | 8,000               | 10,441            | 2,441   |
| Taxes - special road tax                     | 380,315            | 380,315             | 387,658           | 7,343   |
| Penalty/interest - special road tax          | -                  | -                   | 4,131             | 4,131   |
| Total Tax Revenue                            | <u>958,866</u>     | <u>958,866</u>      | <u>966,496</u>    | <u>7,630</u>  |
| Intergovernmental Revenues:                  |                    |                     |                   |   |
| Intergovernmental revenues                   | -                  | -                   | 82,151            | 82,151  |
| Total Intergovernmental Revenues             | <u>-</u>           | <u>-</u>            | <u>82,151</u>     | <u>82,151</u>   |
| Permits, Licenses and Fees:                  |                    |                     |                   |   |
| Other Fees                                   | 253,463            | 253,463             | 248,202           | ( 5,261)  |
| Total Permits, Licenses and Fees             | <u>253,463</u>     | <u>253,463</u>      | <u>248,202</u>    | <u>( 5,261)</u>   |
| Investment Earnings:                         |                    |                     |                   |   |
| Depository interest                          | -                  | -                   | 3,917             | 3,917   |
| Total Investment Earnings                    | <u>-</u>           | <u>-</u>            | <u>3,917</u>      | <u>3,917</u>  |
| Total Revenues                               | <u>1,212,329</u>   | <u>1,212,329</u>    | <u>1,300,766</u>  | <u>88,437</u>   |
| <b>EXPENDITURES</b>                          |                    |                     |                   |   |
| Current:                                     |                    |                     |                   |   |
| Highways and bridges                         | 1,171,923          | 1,248,150           | 1,165,968         | 82,182  |
| Total Highways and Bridges                   | <u>1,171,923</u>   | <u>1,248,150</u>    | <u>1,165,968</u>  | <u>82,182</u>   |
| Capital Outlay:                              |                    |                     |                   |   |
| Equipment                                    | 15,000             | 128,900             | 126,950           | 1,950   |
| Total Capital Outlay                         | <u>15,000</u>      | <u>128,900</u>      | <u>126,950</u>    | <u>1,950</u>  |
| Debt Service:                                |                    |                     |                   |   |
| Principal payments                           | 37,360             | 37,360              | 37,211            | 149   |
| Interest and fiscal charges                  | -                  | -                   | 149               | ( 149)  |
| Total Debt Service                           | <u>37,360</u>      | <u>37,360</u>       | <u>37,360</u>     | <u>-</u>  |
| Total Expenditures                           | <u>1,224,283</u>   | <u>1,414,410</u>    | <u>1,330,278</u>  | <u>84,132</u>   |
| Excess of Revenues Over (Under) Expenditures | <u>( 11,954)</u>   | <u>( 202,081)</u>   | <u>( 29,512)</u>  | <u>172,569</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                    |                     |                   |   |
| Insurance proceeds                           | -                  | -                   | 35,125            | ( 35,125)   |
| Transfers in                                 | -                  | 1,288,438           | 93,927            | 1,194,511   |
| Transfers out                                | ( 10,000)          | ( 140,352)          | ( 140,352)        | -   |
| Total Other Financing Sources (Uses)         | <u>( 10,000)</u>   | <u>1,148,086</u>    | <u>( 11,300)</u>  | <u>1,159,386</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>            | <u>( 21,954)</u>   | <u>946,005</u>      | <u>( 40,812)</u>  | <u>( 986,817)</u>                                       |
| <b>FUND BALANCE, BEGINNING</b>               | <u>313,067</u>     | <u>313,067</u>      | <u>313,067</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>                  | <u>\$ 291,113</u>  | <u>\$ 1,259,072</u> | <u>\$ 272,255</u> | <u>\$( 986,817)</u>                                     |



**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SPECIAL REVENUE FUND - ROAD AND BRIDGE- PRECINCT 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

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

|  | Budget<br>Original  | Budget<br>Final     | Actual              | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                              |                     |                     |                     |   |
| Tax Revenue:                                 |                     |                     |                     |   |
| Taxes - current                              | \$ 674,047          | \$ 674,047          | \$ 663,506          | \$( 10,541)   |
| Taxes - delinquent                           | 13,000              | 13,000              | 19,934              | 6,934   |
| Penalty/interest                             | 10,000              | 10,000              | 12,578              | 2,578   |
| Taxes - special road tax                     | 581,693             | 581,693             | 594,354             | 12,661  |
| Penalty/interest - special road tax          | -                   | -                   | 6,318               | 6,318   |
| Total Tax Revenue                            | <u>1,278,740</u>    | <u>1,278,740</u>    | <u>1,296,690</u>    | <u>17,950</u>   |
| Intergovernmental Revenues:                  |                     |                     |                     |   |
| Intergovernmental revenues                   | -                   | -                   | 98,961              | 98,961  |
| Total Intergovernmental Revenues             | <u>-</u>            | <u>-</u>            | <u>98,961</u>       | <u>98,961</u>   |
| Permits, Licenses and Fees:                  |                     |                     |                     |   |
| Other fees                                   | 301,333             | 301,333             | 296,679             | ( 4,654)  |
| Total Permits, Licenses and Fees             | <u>301,333</u>      | <u>301,333</u>      | <u>296,679</u>      | <u>( 4,654)</u>   |
| Investment Earnings:                         |                     |                     |                     |   |
| Depository interest                          | -                   | -                   | 9,192               | 9,192   |
| Total Investment Earnings                    | <u>-</u>            | <u>-</u>            | <u>9,192</u>        | <u>9,192</u>  |
| Total Revenues                               | <u>1,580,073</u>    | <u>1,580,073</u>    | <u>1,701,522</u>    | <u>121,449</u>  |
| <b>EXPENDITURES</b>                          |                     |                     |                     |   |
| Current:                                     |                     |                     |                     |   |
| Highways and bridges                         | 2,251,037           | 3,294,517           | 3,061,114           | 233,403   |
| Total Highways and Bridges                   | <u>2,251,037</u>    | <u>3,294,517</u>    | <u>3,061,114</u>    | <u>233,403</u>  |
| Capital Outlay:                              |                     |                     |                     |   |
| Capital outlay                               | -                   | 199,600             | 121,088             | 78,512  |
| Total Capital Outlays                        | <u>-</u>            | <u>199,600</u>      | <u>121,088</u>      | <u>78,512</u>   |
| Debt Service:                                |                     |                     |                     |   |
| Principal payments                           | 18,640              | 18,710              | 18,710              | -   |
| Interest and fiscal charges                  | 1,640               | 1,570               | 1,570               | -   |
| Total Debt Service                           | <u>20,280</u>       | <u>20,280</u>       | <u>20,280</u>       | <u>-</u>  |
| Total Expenditures                           | <u>2,271,317</u>    | <u>3,514,397</u>    | <u>3,202,482</u>    | <u>311,915</u>  |
| Excess of Revenues Over (Under) Expenditures | <u>( 691,244)</u>   | <u>( 1,934,324)</u> | <u>( 1,500,960)</u> | <u>433,364</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                     |                     |                     |   |
| Transfers in                                 | 1,262,649           | 611,264             | 514,547             | ( 96,717)   |
| Transfers out                                | ( 10,000)           | ( 12,662)           | ( 23,932)           | ( 11,270)   |
| Total Other Financing Source (Uses)          | <u>1,252,649</u>    | <u>598,602</u>      | <u>490,615</u>      | <u>( 107,987)</u>                                       |
| <b>NET CHANGE IN FUND BALANCE</b>            | 561,405             | ( 1,335,722)        | ( 1,010,345)        | 325,377   |
| <b>FUND BALANCE, BEGINNING</b>               | <u>1,585,544</u>    | <u>1,585,544</u>    | <u>1,585,544</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>                  | <u>\$ 2,146,949</u> | <u>\$ 249,822</u>   | <u>\$ 575,199</u>   | <u>\$ 325,377</u>                                       |

**VAN ZANDT COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

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

|  | Budget<br>Original | Budget<br>Final   | Actual            | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|-------------------|---|
| <b>REVENUES</b>                              |                    |                   |                   |   |
| Tax Revenue:                                 |                    |                   |                   |   |
| Taxes - current                              | \$ 569,190         | \$ 569,190        | \$ 560,289        | \$( 8,901)  |
| Taxes - delinquent                           | 11,000             | 11,000            | 13,699            | 2,699   |
| Penalty/interest                             | 8,000              | 8,000             | 10,621            | 2,621   |
| Taxes - special road tax                     | 589,624            | 589,624           | 601,008           | 11,384  |
| Penalty/interest - special road tax          | -                  | -                 | 6,404             | 6,404   |
| Total Tax Revenue                            | <u>1,177,814</u>   | <u>1,177,814</u>  | <u>1,192,021</u>  | <u>14,207</u>   |
| Intergovernmental Revenues:                  |                    |                   |                   |   |
| Intergovernmental revenues                   | -                  | -                 | 83,566            | 83,566  |
| Total Intergovernmental Revenues             | <u>-</u>           | <u>-</u>          | <u>83,566</u>     | <u>83,566</u>   |
| Permits, Licenses and Fees:                  |                    |                   |                   |   |
| Other fees                                   | 251,126            | 251,126           | 255,562           | 4,436   |
| Total Permits, Licenses and Fees             | <u>251,126</u>     | <u>251,126</u>    | <u>255,562</u>    | <u>4,436</u>  |
| Investment Earning:                          |                    |                   |                   |   |
| Depository interest                          | -                  | -                 | 4,583             | 4,583   |
| Total Investment Earning                     | <u>-</u>           | <u>-</u>          | <u>4,583</u>      | <u>4,583</u>  |
| Other Revenue:                               |                    |                   |                   |   |
| Donations                                    | -                  | -                 | 500               | 500   |
| Other misc. revenue                          | -                  | -                 | 3,934             | 3,934   |
| Total Other Revenue                          | <u>-</u>           | <u>-</u>          | <u>4,434</u>      | <u>4,434</u>  |
| Total Revenues                               | <u>1,428,940</u>   | <u>1,428,940</u>  | <u>1,540,166</u>  | <u>27,660</u>   |
| <b>EXPENDITURES</b>                          |                    |                   |                   |   |
| Current:                                     |                    |                   |                   |   |
| Highways and bridges                         | 1,475,281          | 1,512,181         | 1,382,145         | 130,036   |
| Total Highways and Bridges                   | <u>1,475,281</u>   | <u>1,512,181</u>  | <u>1,382,145</u>  | <u>130,036</u>  |
| Capital Outlay:                              |                    |                   |                   |   |
| Equipment                                    | -                  | 97,410            | 84,400            | 13,010  |
| Total Capital Outlay                         | <u>-</u>           | <u>97,410</u>     | <u>84,400</u>     | <u>13,010</u>   |
| Total Expenditures                           | <u>1,475,281</u>   | <u>1,609,591</u>  | <u>1,466,545</u>  | <u>143,046</u>  |
| Excess of Revenues Over (Under) Expenditures | <u>( 46,341)</u>   | <u>( 180,651)</u> | <u>73,621</u>     | <u>254,272</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                    |                   |                   |   |
| Transfers in                                 | -                  | -                 | 40,190            | 40,190  |
| Transfers out                                | ( 10,000)          | ( 12,662)         | ( 12,662)         | -   |
| Total Other Financing Sources (Uses)         | <u>( 10,000)</u>   | <u>( 12,662)</u>  | <u>27,528</u>     | <u>40,190</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>            | <u>( 56,341)</u>   | <u>( 193,313)</u> | <u>101,149</u>    | <u>294,462</u>  |
| <b>FUND BALANCE, BEGINNING</b>               | <u>202,457</u>     | <u>202,457</u>    | <u>202,457</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>                  | <u>\$ 146,116</u>  | <u>\$ 9,144</u>   | <u>\$ 303,606</u> | <u>\$ 294,462</u>                                       |

**VAN ZANDT COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 4  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

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

|  | Budget<br>Original | Budget<br>Final     | Actual              | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                              |                    |                     |                     |   |
| Tax Revenue:                                 |                    |                     |                     |   |
| Taxes - current                              | \$ 548,266         | \$ 548,266          | \$ 539,693          | \$( 8,573)  |
| Taxes - delinquent                           | 11,000             | 11,000              | 13,195              | 2,195   |
| Penalty/interest                             | 7,500              | 7,500               | 10,231              | 2,731   |
| Taxes - special road tax                     | 382,830            | 382,830             | 390,221             | 7,391   |
| Penalty/interest - special road tax          | -                  | -                   | 4,158               | 4,158   |
| Total Tax Revenue                            | <u>949,596</u>     | <u>949,596</u>      | <u>957,498</u>      | <u>7,902</u>  |
| Intergovernmental Revenues:                  |                    |                     |                     |   |
| Intergovernmental revenues                   | -                  | -                   | 90,494              | 90,494  |
| Total Intergovernmental Revenues             | <u>-</u>           | <u>-</u>            | <u>90,494</u>       | <u>90,494</u>   |
| Permits, Licenses and Fees:                  |                    |                     |                     |   |
| Other fees                                   | 246,687            | 246,687             | 243,424             | ( 3,263)  |
| Total Permits, Licenses and Fees             | <u>246,687</u>     | <u>246,687</u>      | <u>243,424</u>      | <u>( 3,263)</u>   |
| Investment Earning:                          |                    |                     |                     |   |
| Depository interest                          | -                  | -                   | 3,359               | 3,359   |
| Total Investment Earning                     | <u>-</u>           | <u>-</u>            | <u>3,359</u>        | <u>3,359</u>  |
| Total Revenues                               | <u>1,196,283</u>   | <u>1,196,283</u>    | <u>1,294,775</u>    | <u>98,492</u>   |
| <b>EXPENDITURES</b>                          |                    |                     |                     |   |
| Current:                                     |                    |                     |                     |   |
| Highways and bridges                         | 1,241,084          | 1,528,753           | 1,594,388           | ( 65,635)   |
| Total Highway and Bridges                    | <u>1,241,084</u>   | <u>1,528,753</u>    | <u>1,594,388</u>    | <u>( 65,635)</u>  |
| Capital Outlay:                              |                    |                     |                     |   |
| Equipment                                    | -                  | 173,388             | 172,387             | 1,001   |
| Total Capital Outlay                         | <u>-</u>           | <u>173,388</u>      | <u>172,387</u>      | <u>1,001</u>  |
| Total Expenditures                           | <u>1,241,084</u>   | <u>1,702,141</u>    | <u>1,766,775</u>    | <u>( 64,634)</u>  |
| Excess of Revenues Over (Under) Expenditures | <u>( 44,801)</u>   | <u>( 505,858)</u>   | <u>( 472,000)</u>   | <u>33,858</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                    |                     |                     |   |
| Transfers in                                 | -                  | 183,069             | 183,068             | ( 1)  |
| Transfers out                                | ( 10,000)          | ( 12,662)           | ( 105,107)          | ( 92,445)   |
| Total Other Financing Sources (Uses)         | <u>( 10,000)</u>   | <u>170,407</u>      | <u>77,961</u>       | <u>( 92,446)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>            | <u>( 54,801)</u>   | <u>( 335,451)</u>   | <u>( 394,039)</u>   | <u>( 58,588)</u>  |
| <b>FUND BALANCE, BEGINNING</b>               | <u>144,611</u>     | <u>144,611</u>      | <u>144,611</u>      | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>                  | <u>\$ 89,810</u>   | <u>\$( 190,840)</u> | <u>\$( 249,428)</u> | <u>\$( 58,588)</u>                                      |

# VAN ZANDT COUNTY, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

### **Budgetary Information**

The Commissioners' Court adopted an "appropriated budget" for the General Fund and Road and Bridge Precincts #1 – 4, which is included in the Special Revenue Funds. The County is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The County compares the final amended budget to actual revenue and expenditures. The Van Tornado Assistance Fund is considered a major fund. This fund did not have a legally adopted budget.

The following procedures are followed in establishing the budget:

1. Prior to September 1, the County prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them. The budget is prepared on the GAAP basis of accounting.
2. Public meetings are conducted to obtain taxpayer comments.
3. The budget is then legally enacted through adoption by the Commissioners' Court. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Court. Amendments are presented to the Court at its regular meetings. Each amendment must have Court approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Court, and are not made after fiscal year-end. Because the County has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Court. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The County had no outstanding end-of-year encumbrances.

# **COMBINING STATEMENTS**

**VAN ZANDT COUNTY, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Law<br>Library | Records<br>Management | Building<br>Security | District<br>Attorney<br>Check<br>Collection |
|--|----------------|-----------------------|----------------------|---|
| <b>ASSETS</b>                                    |                |                       |                      |   |
| Cash and investments                             | \$ 49,463      | \$ 726,989            | \$ 4,248             | \$ 17,572                                   |
| Receivables (net of allowance of uncollectibles) |                |                       |                      |   |
| Accounts   | 3,150          | 13,384                | 2,222                | 12  |
| Due from other Governments                       | -              | -                     | -                    | -   |
|  | 52,613         | 740,373               | 6,470                | 17,584                                      |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>         |                |                       |                      |   |
| Liabilities:                                     |                |                       |                      |   |
| Accounts payable                                 | 2,615          | 9,826                 | 760                  | 61  |
| Accrued liabilities                              | -              | 671                   | 1,705                | 177   |
| Due to other funds                               | -              | -                     | -                    | -   |
|  | 2,615          | 10,497                | 2,465                | 238   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                |                       |                      |   |
| Unavailable revenue - grants                     | -              | -                     | -                    | -   |
| Total deferred inflows of resources              | -              | -                     | -                    | -   |
| Fund Balances:                                   |                |                       |                      |   |
| Restricted:                                      |                |                       |                      |   |
| Court technology and security                    | -              | -                     | 4,005                | -   |
| Records management                               | -              | 729,876               | -                    | -   |
| Judicial   | -              | -                     | -                    | 17,346                                      |
| Public safety                                    | -              | -                     | -                    | -   |
| Law library                                      | 49,998         | -                     | -                    | -   |
| Conservation                                     | -              | -                     | -                    | -   |
| Economic development                             | -              | -                     | -                    | -   |
| Capital projects                                 | -              | -                     | -                    | -   |
| Historical commission                            | -              | -                     | -                    | -   |
| Disaster relief                                  | -              | -                     | -                    | -   |
| Unassigned                                       | -              | -                     | -                    | -   |
|  | 49,998         | 729,876               | 4,005                | 17,346                                      |
| Total Fund Balances                              | 49,998         | 729,876               | 4,005                | 17,346                                      |
| Total liabilities and fund balances              | \$ 52,613      | \$ 740,373            | \$ 6,470             | \$ 17,584                                   |

| <u>District<br/>Attorney<br/>Supplemental</u> | <u>LEOSE</u>     | <u>Bullet<br/>Proof Vest<br/>Grant</u> | <u>Lonestar<br/>Library<br/>Grant</u> | <u>Justice<br/>Court<br/>Technology</u> | <u>Chapter 19</u> |
|---|------------------|--|---------------------------------------|---|-------------------|
| \$ 13,190                                     | \$ 18,075        | \$ -                                   | \$ 407                                | \$ 36,763                               | \$ 16             |
| -   | -                | -                                      | -                                     | 706                                     | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| <u>13,190</u>                                 | <u>18,075</u>    | <u>-</u>                               | <u>407</u>                            | <u>37,469</u>                           | <u>16</u>         |
| 317   | -                | -                                      | -                                     | -                                       | -                 |
| 1,019   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | <u>5,430</u>                           | -                                     | -                                       | -                 |
| <u>1,336</u>                                  | <u>-</u>         | <u>5,430</u>                           | <u>-</u>                              | <u>-</u>                                | <u>-</u>          |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | 37,469                                  | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| 11,854  | -                | -                                      | -                                     | -                                       | -                 |
| -   | 18,075           | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | 407                                   | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | -                                      | -                                     | -                                       | -                 |
| -   | -                | ( 5,430)                               | -                                     | -                                       | 16                |
| <u>11,854</u>                                 | <u>18,075</u>    | <u>( 5,430)</u>                        | <u>407</u>                            | <u>37,469</u>                           | <u>16</u>         |
| <u>\$ 13,190</u>                              | <u>\$ 18,075</u> | <u>\$ -</u>                            | <u>\$ 407</u>                         | <u>\$ 37,469</u>                        | <u>\$ 16</u>      |

**VAN ZANDT COUNTY, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Justice Court<br>Building<br>Security | County Road<br>Funds | Asset<br>Forfeiture | Abatement<br>Officer |
|--|---------------------------------------|----------------------|---------------------|----------------------|
| <b>ASSETS</b>                                    |                                       |                      |                     |                      |
| Cash and investments                             | \$ 9,522                              | \$ -                 | \$ 86,309           | \$ 89,271            |
| Receivables (net of allowance of uncollectibles) |                                       |                      |                     |                      |
| Accounts   | 175                                   | -                    | 150                 | 16,352               |
| Due from other Governments                       | -                                     | -                    | -                   | -                    |
|  | 9,697                                 | -                    | 86,459              | 105,623              |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>         |                                       |                      |                     |                      |
| Liabilities:                                     |                                       |                      |                     |                      |
| Accounts payable                                 | 67                                    | -                    | 2,523               | 2,593                |
| Accrued liabilities                              | -                                     | -                    | 1,895               | 3,408                |
| Due to other funds                               | -                                     | 434                  | -                   | -                    |
|  | 67                                    | 434                  | 4,418               | 6,001                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                                       |                      |                     |                      |
| Unavailable revenue - grants                     | -                                     | -                    | -                   | -                    |
| Total deferred inflows of resources              | -                                     | -                    | -                   | -                    |
| Fund Balances:                                   |                                       |                      |                     |                      |
| Restricted:                                      |                                       |                      |                     |                      |
| Court technology and security                    | 9,630                                 | -                    | -                   | -                    |
| Records management                               | -                                     | -                    | -                   | -                    |
| Judicial   | -                                     | -                    | -                   | -                    |
| Public safety                                    | -                                     | -                    | 82,041              | 99,622               |
| Law library                                      | -                                     | -                    | -                   | -                    |
| Conservation                                     | -                                     | -                    | -                   | -                    |
| Economic development                             | -                                     | -                    | -                   | -                    |
| Capital projects                                 | -                                     | -                    | -                   | -                    |
| Historical commission                            | -                                     | -                    | -                   | -                    |
| Disaster relief                                  | -                                     | -                    | -                   | -                    |
| Unassigned                                       | -                                     | ( 434)               | -                   | -                    |
| Total Fund Balances                              | 9,630                                 | ( 434)               | 82,041              | 99,622               |
| Total liabilities and fund balances              | \$ 9,697                              | \$ -                 | \$ 86,459           | \$ 105,623           |



| <u>Homeland Security</u> | <u>VOICES Grant</u> | <u>Solid Waste Grant</u> | <u>Historical Commission</u> | <u>Capital Projects Roads Precinct #1</u> |
|--------------------------|---------------------|--------------------------|------------------------------|---|
| \$ -                     | \$ -                | \$ 203                   | \$ 9,245                     | \$ 172                                    |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | 203                      | 9,245                        | 172                                       |
| -                        | 440                 | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| 303                      | 9,774               | -                        | -                            | -   |
| 303                      | 10,214              | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | 203                      | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | -   |
| -                        | -                   | -                        | -                            | 172                                       |
| -                        | -                   | -                        | 9,245                        | -   |
| -                        | -                   | -                        | -                            | -   |
| ( 303)                   | ( 10,214)           | -                        | -                            | -   |
| ( 303)                   | ( 10,214)           | 203                      | 9,245                        | 172                                       |
| \$ -                     | \$ -                | \$ 203                   | \$ 9,245                     | \$ 172                                    |

**VAN ZANDT COUNTY, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | <u>Capital<br/>Projects Roads<br/>Precinct #4</u> | <u>Supplemental<br/>Guardianship</u> | <u>County<br/>Child<br/>Abuse</u> | <u>Appellate<br/>Justice</u> |
|--|---|--------------------------------------|-----------------------------------|------------------------------|
| <b>ASSETS</b>                                    |   |                                      |                                   |                              |
| Cash and investments                             | \$ -  | \$ 26,995                            | \$ 5,567                          | \$ 1,155                     |
| Receivables (net of allowance of uncollectibles) |   |                                      |                                   |                              |
| Accounts   | -   | 420                                  | 114                               | 450                          |
| Due from other Governments                       | -   | -                                    | -                                 | -                            |
|  | <u>-</u>  | <u>-</u>                             | <u>-</u>                          | <u>-</u>                     |
| <br>Total Assets                                 | <br><u>-</u>                                      | <br><u>27,415</u>                    | <br><u>5,681</u>                  | <br><u>1,605</u>             |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>         |   |                                      |                                   |                              |
| Liabilities:                                     |   |                                      |                                   |                              |
| Accounts payable                                 | -   | -                                    | -                                 | -                            |
| Accrued liabilities                              | -   | -                                    | -                                 | -                            |
| Due to other funds                               | -   | -                                    | -                                 | -                            |
|  | <u>-</u>  | <u>-</u>                             | <u>-</u>                          | <u>-</u>                     |
| <br>Total Liabilities                            | <br><u>-</u>                                      | <br><u>-</u>                         | <br><u>-</u>                      | <br><u>-</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |   |                                      |                                   |                              |
| Unavailable revenue - grants                     | -   | -                                    | -                                 | -                            |
|  | <u>-</u>  | <u>-</u>                             | <u>-</u>                          | <u>-</u>                     |
| <br>Total deferred inflows of resources          | <br><u>-</u>                                      | <br><u>-</u>                         | <br><u>-</u>                      | <br><u>-</u>                 |
| Fund Balances:                                   |   |                                      |                                   |                              |
| Restricted:                                      |   |                                      |                                   |                              |
| Court technology and security                    | -   | -                                    | -                                 | -                            |
| Records management                               | -   | -                                    | -                                 | -                            |
| Judicial   | -   | 27,415                               | 5,681                             | 1,605                        |
| Public safety                                    | -   | -                                    | -                                 | -                            |
| Law library                                      | -   | -                                    | -                                 | -                            |
| Conservation                                     | -   | -                                    | -                                 | -                            |
| Economic development                             | -   | -                                    | -                                 | -                            |
| Capital projects                                 | -   | -                                    | -                                 | -                            |
| Historical commission                            | -   | -                                    | -                                 | -                            |
| Disaster relief                                  | -   | -                                    | -                                 | -                            |
| Unassigned                                       | -   | -                                    | -                                 | -                            |
|  | <u>-</u>  | <u>-</u>                             | <u>-</u>                          | <u>-</u>                     |
| <br>Total Fund Balances                          | <br><u>-</u>                                      | <br><u>27,415</u>                    | <br><u>5,681</u>                  | <br><u>1,605</u>             |
| <br>Total liabilities and fund balances          | <br><u>\$ -</u>                                   | <br><u>\$ 27,415</u>                 | <br><u>\$ 5,681</u>               | <br><u>\$ 1,605</u>          |

| Technology Resources | Juvenile Probation | Soil Conservation District | ETCOG Residential Grant | Little Hope Water Supply Grant |
|----------------------|--------------------|----------------------------|-------------------------|--------------------------------|
| \$ 1                 | \$ -               | \$ 17,475                  | \$ -                    | \$ -                           |
| -                    | 64,974             | -                          | -                       | -                              |
| -                    | 1,765              | -                          | -                       | -                              |
| <u>1</u>             | <u>66,739</u>      | <u>17,475</u>              | <u>-</u>                | <u>-</u>                       |
| -                    | 61,289             | -                          | -                       | -                              |
| -                    | 9,537              | -                          | -                       | -                              |
| -                    | 246,028            | -                          | 1,677                   | -                              |
| -                    | 316,854            | -                          | 1,677                   | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| 1                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | 17,475                     | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | -                  | -                          | -                       | -                              |
| -                    | (250,115)          | -                          | (1,677)                 | -                              |
| <u>1</u>             | <u>(250,115)</u>   | <u>17,475</u>              | <u>(1,677)</u>          | <u>-</u>                       |
| <u>\$ 1</u>          | <u>\$ 66,739</u>   | <u>\$ 17,475</u>           | <u>\$ -</u>             | <u>\$ -</u>                    |

**VAN ZANDT COUNTY, TEXAS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

|  | Golden<br>Water Supply<br>Grant | Victim<br>Coordinator<br>Grant | Capital Credit<br>Economic<br>Development | FEMA<br>Dec 2015<br>Storm |
|--|---------------------------------|--------------------------------|---|---------------------------|
| <b>ASSETS</b>                                    |                                 |                                |   |                           |
| Cash and investments                             | \$ -                            | \$ -                           | \$ 237,174                                | \$ 471                    |
| Receivables (net of allowance of uncollectibles) |                                 |                                |   |                           |
| Accounts   | -                               | -                              | -   | -                         |
| Due from other Governments                       | -                               | 13,834                         | -   | -                         |
|  | -                               | 13,834                         | -   | -                         |
| <br>Total Assets                                 | <br>-                           | <br>13,834                     | <br>237,174                               | <br>471                   |
| <br><b>LIABILITIES AND<br/>FUND BALANCES</b>     |                                 |                                |   |                           |
| Liabilities:                                     |                                 |                                |   |                           |
| Accounts payable                                 | -                               | 1,108                          | -   | -                         |
| Accrued liabilities                              | -                               | 2,544                          | -   | -                         |
| Due to other funds                               | -                               | 10,164                         | -   | -                         |
|  | -                               | 13,816                         | -   | -                         |
| <br>Total Liabilities                            | <br>-                           | <br>13,816                     | <br>-                                     | <br>-                     |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>         |                                 |                                |   |                           |
| Unavailable revenue - grants                     | -                               | -                              | -   | -                         |
|  | -                               | -                              | -   | -                         |
| <br>Total deferred inflows of resources          | <br>-                           | <br>-                          | <br>-                                     | <br>-                     |
| <br>Fund Balances:                               |                                 |                                |   |                           |
| Restricted:                                      |                                 |                                |   |                           |
| Court technology and security                    | -                               | -                              | -   | -                         |
| Records management                               | -                               | -                              | -   | -                         |
| Judicial   | -                               | 18                             | -   | -                         |
| Public safety                                    | -                               | -                              | -   | -                         |
| Law library                                      | -                               | -                              | -   | -                         |
| Conservation                                     | -                               | -                              | -   | -                         |
| Economic development                             | -                               | -                              | 237,174                                   | -                         |
| Capital projects                                 | -                               | -                              | -   | -                         |
| Historical commission                            | -                               | -                              | -   | -                         |
| Disaster relief                                  | -                               | -                              | -   | 471                       |
| Unassigned                                       | -                               | -                              | -   | -                         |
|  | -                               | 18                             | 237,174                                   | 471                       |
| <br>Total Fund Balances                          | <br>-                           | <br>18                         | <br>237,174                               | <br>471                   |
| <br>Total liabilities and fund balances          | <br>\$ -                        | <br>\$ 13,834                  | <br>\$ 237,174                            | <br>\$ 471                |

| FEMA<br>April 2016<br>Storm | Contribution<br>Relief<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------------------|--------------------------------|--|
| \$ -                        | \$ 16,083                      | \$ 1,366,366                               |
| -                           | -                              | 102,109                                    |
| <u>286,931</u>              | <u>-</u>                       | <u>302,530</u>                             |
| <u>286,931</u>              | <u>16,083</u>                  | <u>1,771,005</u>                           |
| -                           | -                              | 81,599                                     |
| -                           | -                              | 20,956                                     |
| <u>-</u>                    | <u>-</u>                       | <u>273,810</u>                             |
| <u>-</u>                    | <u>-</u>                       | <u>376,365</u>                             |
| <u>286,931</u>              | <u>-</u>                       | <u>286,931</u>                             |
| <u>286,931</u>              | <u>-</u>                       | <u>286,931</u>                             |
| -                           | -                              | 51,105                                     |
| -                           | -                              | 729,876                                    |
| -                           | -                              | 63,919                                     |
| -                           | -                              | 199,941                                    |
| -                           | -                              | 50,405                                     |
| -                           | -                              | 17,475                                     |
| -                           | -                              | 237,174                                    |
| -                           | -                              | 172  |
| -                           | -                              | 9,245                                      |
| -                           | 16,083                         | 16,554                                     |
| <u>-</u>                    | <u>-</u>                       | <u>( 268,157)</u>                          |
| <u>-</u>                    | <u>16,083</u>                  | <u>1,107,709</u>                           |
| <u>\$ 286,931</u>           | <u>\$ 16,083</u>               | <u>\$ 1,771,005</u>                        |

**VAN ZANDT COUNTY, TEXAS**

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

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

|  | Law<br>Library | Records<br>Management | Building<br>Security | District<br>Attorney<br>Check<br>Collection |
|--|----------------|-----------------------|----------------------|---|
| <b>REVENUES</b>  |                |                       |                      |   |
| Permits, licenses and fees   | \$ 31,570      | \$ 266,761            | \$ 27,382            | \$ 2,776                                    |
| Intergovernmental  | -              | -                     | -                    | -   |
| Investment earnings  | 318            | 3,570                 | -                    | 71  |
| Other  | -              | -                     | -                    | -   |
|  | 31,888         | 270,331               | 27,382               | 2,847                                       |
| <b>EXPENDITURES</b>  |                |                       |                      |   |
| Current:   |                |                       |                      |   |
| General government   | -              | 109,154               | 52,204               | 4,875                                       |
| Judicial   | 35,547         | 22,766                | -                    | -   |
| Public safety  | -              | -                     | -                    | -   |
| Conservation   | -              | -                     | -                    | -   |
|  | 35,547         | 131,920               | 52,204               | 4,875                                       |
| <b>EXCESS (DEFICIENCY) OVER REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | ( 3,659)       | 138,411               | ( 24,822)            | ( 2,028)                                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                |                       |                      |   |
| Insurance recoveries   | -              | -                     | -                    | -   |
| Transfers in   | -              | -                     | 24,351               | -   |
| Transfers out  | -              | -                     | -                    | -   |
|  | -              | -                     | 24,351               | -   |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | ( 3,659)       | 138,411               | ( 471)               | ( 2,028)                                    |
| <b>FUND BALANCES, BEGINNING</b>  | 53,657         | 591,465               | 4,476                | 19,374                                      |
| <b>FUND BALANCES, ENDING</b>   | \$ 49,998      | \$ 729,876            | \$ 4,005             | \$ 17,346                                   |

| District<br>Attorney<br>Supplemental | LEOSE            | Bullet<br>Proof Vest<br>Grant | Lonestar<br>Library<br>Grant | Justice<br>Court<br>Technology | Chapter 19      |
|--------------------------------------|------------------|-------------------------------|------------------------------|--------------------------------|-----------------|
| \$ -                                 | \$ -             | \$ -                          | \$ -                         | \$ 11,726                      | \$ -            |
| 30,000                               | 6,848            | -                             | -                            | -                              | 1,343           |
| 32                                   | -                | -                             | -                            | 141                            | -               |
| -                                    | -                | -                             | -                            | -                              | -               |
| <u>30,032</u>                        | <u>6,848</u>     | <u>-</u>                      | <u>-</u>                     | <u>11,867</u>                  | <u>1,343</u>    |
| 22,511                               | -                | -                             | -                            | -                              | -               |
| -                                    | -                | -                             | -                            | -                              | -               |
| -                                    | 4,920            | -                             | -                            | -                              | -               |
| -                                    | -                | -                             | -                            | -                              | -               |
| <u>22,511</u>                        | <u>4,920</u>     | <u>-</u>                      | <u>-</u>                     | <u>-</u>                       | <u>-</u>        |
| 7,521                                | 1,928            | -                             | -                            | 11,867                         | 1,343           |
| -                                    | -                | -                             | -                            | -                              | -               |
| -                                    | -                | -                             | -                            | -                              | -               |
| -                                    | -                | -                             | -                            | -                              | -               |
| <u>7,521</u>                         | <u>1,928</u>     | <u>-</u>                      | <u>-</u>                     | <u>11,867</u>                  | <u>1,343</u>    |
| <u>4,333</u>                         | <u>16,147</u>    | <u>( 5,430)</u>               | <u>407</u>                   | <u>25,602</u>                  | <u>( 1,327)</u> |
| <u>\$ 11,854</u>                     | <u>\$ 18,075</u> | <u>\$ ( 5,430)</u>            | <u>\$ 407</u>                | <u>\$ 37,469</u>               | <u>\$ 16</u>    |

**VAN ZANDT COUNTY, TEXAS**

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

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

|  | Justice Court<br>Building<br>Security | County<br>Road<br>Funds | Asset<br>Forfeiture | Abatement<br>Officer |
|--|---------------------------------------|-------------------------|---------------------|----------------------|
| <b>REVENUES</b>  |                                       |                         |                     |                      |
| Permits, licenses and fees   | \$ 2,832                              | \$ -                    | \$ 27,313           | \$ 169,945           |
| Intergovernmental  | -                                     | -                       | -                   | 22,801               |
| Investment earnings  | -                                     | -                       | 634                 | -                    |
| Other  | -                                     | -                       | -                   | -                    |
|  | 2,832                                 | -                       | 27,947              | 192,746              |
| <b>EXPENDITURES</b>  |                                       |                         |                     |                      |
| Current:   |                                       |                         |                     |                      |
| General government   | 1,485                                 | -                       | 47,971              | -                    |
| Judicial   | -                                     | -                       | -                   | -                    |
| Public safety  | -                                     | -                       | 26,354              | 146,891              |
| Conservation   | -                                     | -                       | -                   | -                    |
|  | 1,485                                 | -                       | 74,325              | 146,891              |
| <b>EXCESS (DEFICIENCY) OVER REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 1,347                                 | -                       | ( 46,378)           | 45,855               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                                       |                         |                     |                      |
| Insurance recoveries   | -                                     | -                       | 4,579               | -                    |
| Transfers in   | -                                     | -                       | -                   | -                    |
| Transfers out  | -                                     | ( 5,489)                | -                   | -                    |
|  | -                                     | ( 5,489)                | 4,579               | -                    |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | 1,347                                 | ( 5,489)                | ( 41,799)           | 45,855               |
| <b>FUND BALANCES, BEGINNING</b>  | 8,283                                 | 5,055                   | 123,840             | 53,767               |
| <b>FUND BALANCES, ENDING</b>   | \$ 9,630                              | \$( 434)                | \$ 82,041           | \$ 99,622            |



| Homeland Security | VOICES Grant       | Solid Waste Grant | Historical Commission | Capital Projects Roads Precinct #1 |
|-------------------|--------------------|-------------------|-----------------------|------------------------------------|
| \$ -              | \$ -               | \$ -              | \$ -                  | \$ -                               |
| -                 | 38,483             | -                 | -                     | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | -                  | -                 | 1,615                 | -                                  |
| -                 | 38,483             | -                 | 1,615                 | -                                  |
| -                 | -                  | -                 | 1,497                 | -                                  |
| -                 | 45,954             | -                 | -                     | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | 45,954             | -                 | 1,497                 | -                                  |
| -                 | ( 7,471)           | -                 | 118                   | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | -                  | -                 | -                     | -                                  |
| -                 | ( 7,471)           | -                 | 118                   | -                                  |
| ( 303)            | ( 2,743)           | 203               | 9,127                 | 172                                |
| <u>\$( 303)</u>   | <u>\$( 10,214)</u> | <u>\$ 203</u>     | <u>\$ 9,245</u>       | <u>\$ 172</u>                      |

**VAN ZANDT COUNTY, TEXAS**

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

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

|  | Capital<br>Projects Roads<br>Precinct #4 | Supplemental<br>Guardianship | County<br>Child<br>Abuse | Appellate<br>Justice |
|--|--|------------------------------|--------------------------|----------------------|
| <b>REVENUES</b>  |  |                              |                          |                      |
| Permits, licenses and fees   | \$ -                                     | \$ 4,580                     | \$ 1,359                 | \$ 4,495             |
| Intergovernmental  | -  | -                            | -                        | -                    |
| Investment earnings  | -  | 78                           | -                        | -                    |
| Other  | -  | -                            | -                        | -                    |
|  | -  | -                            | -                        | -                    |
| Total Revenues   | -  | 4,658                        | 1,359                    | 4,495                |
| <b>EXPENDITURES</b>  |  |                              |                          |                      |
| Current:   |  |                              |                          |                      |
| General government   | -  | 1,725                        | -                        | -                    |
| Judicial   | -  | -                            | -                        | 4,379                |
| Public safety  | -  | -                            | -                        | -                    |
| Conservation   | -  | -                            | -                        | -                    |
|  | -  | -                            | -                        | -                    |
| Total Expenditures   | -  | 1,725                        | -                        | 4,379                |
| <b>EXCESS (DEFICIENCY) OVER REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | -  | 2,933                        | 1,359                    | 116                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |  |                              |                          |                      |
| Insurance recoveries   | -  | -                            | -                        | -                    |
| Transfers in   | 53,436                                   | -                            | -                        | -                    |
| Transfers out  | -  | -                            | -                        | -                    |
|  | -  | -                            | -                        | -                    |
| Total Other Financing Sources (Uses)                                   | 53,436                                   | -                            | -                        | -                    |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | 53,436                                   | 2,933                        | 1,359                    | 116                  |
| <b>FUND BALANCES, BEGINNING</b>  | ( 53,436)                                | 24,482                       | 4,322                    | 1,489                |
| <b>FUND BALANCES, ENDING</b>   | \$ -                                     | \$ 27,415                    | \$ 5,681                 | \$ 1,605             |

| <u>Technology Resources</u> | <u>Juvenile Probation</u> | <u>Soil Conservation District</u> | <u>ETCOG Residential Grant</u> | <u>Little Hope Water Supply Grant</u> |
|-----------------------------|---------------------------|-----------------------------------|--------------------------------|---------------------------------------|
| \$ -                        | \$ 337,938                | \$ -                              | \$ -                           | \$ -                                  |
| -                           | 21,618                    | -                                 | 4,450                          | 26,850                                |
| -                           | -                         | 126                               | -                              | -                                     |
| -                           | 687                       | -                                 | -                              | -                                     |
| <u>-</u>                    | <u>360,243</u>            | <u>126</u>                        | <u>4,450</u>                   | <u>26,850</u>                         |
| -                           | -                         | -                                 | 4,365                          | 26,850                                |
| -                           | -                         | -                                 | -                              | -                                     |
| -                           | 478,474                   | -                                 | -                              | -                                     |
| -                           | -                         | 6,000                             | -                              | -                                     |
| <u>-</u>                    | <u>478,474</u>            | <u>6,000</u>                      | <u>4,365</u>                   | <u>26,850</u>                         |
| -                           | ( 118,231)                | ( 5,874)                          | 85                             | -                                     |
| -                           | -                         | -                                 | -                              | -                                     |
| -                           | 155,000                   | 3,000                             | -                              | -                                     |
| -                           | -                         | -                                 | -                              | -                                     |
| <u>-</u>                    | <u>155,000</u>            | <u>3,000</u>                      | <u>-</u>                       | <u>-</u>                              |
| -                           | 36,769                    | ( 2,874)                          | 85                             | -                                     |
| <u>1</u>                    | <u>( 286,884)</u>         | <u>20,349</u>                     | <u>( 1,762)</u>                | <u>-</u>                              |
| <u>\$ 1</u>                 | <u>\$( 250,115)</u>       | <u>\$ 17,475</u>                  | <u>\$( 1,677)</u>              | <u>\$ -</u>                           |

**VAN ZANDT COUNTY, TEXAS**

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

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

|  | Golden<br>Water Supply<br>Grant | Victim<br>Coordinator<br>Grant | Capital Credit<br>Economic<br>Development | FEMA<br>Dec 2015<br>Storm |
|--|---------------------------------|--------------------------------|---|---------------------------|
| <b>REVENUES</b>  |                                 |                                |   |                           |
| Permits, licenses and fees   | \$ -                            | \$ -                           | \$ 49,807                                 | \$ -                      |
| Intergovernmental  | -                               | 53,101                         | -   | 67,556                    |
| Investment earnings  | -                               | -                              | 1,269                                     | -                         |
| Other  | -                               | -                              | -   | -                         |
|  | -                               | -                              | -   | -                         |
| Total Revenues   | -                               | 53,101                         | 51,076                                    | 67,556                    |
| <b>EXPENDITURES</b>  |                                 |                                |   |                           |
| Current:   |                                 |                                |   |                           |
| General government   | 1,362                           | 59,451                         | -   | -                         |
| Judicial   | -                               | -                              | -   | -                         |
| Public safety  | -                               | -                              | -   | -                         |
| Conservation   | -                               | -                              | -   | -                         |
|  | -                               | -                              | -   | -                         |
| Total Expenditures   | 1,362                           | 59,451                         | -   | -                         |
| <b>EXCESS (DEFICIENCY) OVER REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | ( 1,362)                        | ( 6,350)                       | 51,076                                    | 67,556                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                                 |                                |   |                           |
| Insurance recoveries   | -                               | -                              | -   | -                         |
| Transfers in   | -                               | 11,193                         | -   | -                         |
| Transfers out  | -                               | -                              | -   | ( 67,556)                 |
|  | -                               | -                              | -   | ( 67,556)                 |
| Total Other Financing Sources (Uses)                                   | -                               | 11,193                         | -   | ( 67,556)                 |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | ( 1,362)                        | 4,843                          | 51,076                                    | -                         |
| <b>FUND BALANCES, BEGINNING</b>  | 1,362                           | ( 4,825)                       | 186,098                                   | 471                       |
| <b>FUND BALANCES, ENDING</b>   | \$ -                            | \$ 18                          | \$ 237,174                                | \$ 471                    |

| FEMA<br>April 2016<br>Storm | Contribution<br>Relief<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------------------|--------------------------------|--|
| \$ -                        | \$ -                           | \$ 938,484                                 |
| 472,261                     | -                              | 745,311                                    |
| -                           | -                              | 6,239                                      |
| -                           | -                              | 2,302                                      |
| <u>472,261</u>              | <u>-</u>                       | <u>1,692,336</u>                           |
| -                           | -                              | 333,450                                    |
| -                           | -                              | 108,646                                    |
| -                           | -                              | 656,639                                    |
| -                           | -                              | 6,000                                      |
| <u>-</u>                    | <u>-</u>                       | <u>1,104,735</u>                           |
| 472,261                     | -                              | 587,601                                    |
| -                           | -                              | 4,579                                      |
| -                           | -                              | 246,980                                    |
| <u>( 472,261)</u>           | <u>-</u>                       | <u>( 545,306)</u>                          |
| <u>( 472,261)</u>           | <u>-</u>                       | <u>( 293,747)</u>                          |
| -                           | -                              | 293,854                                    |
| -                           | 16,083                         | 813,855                                    |
| <u>\$ -</u>                 | <u>\$ 16,083</u>               | <u>\$ 1,107,709</u>                        |

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**VAN ZANDT COUNTY, TEXAS**

**OTHER SUPPLEMENTARY INFORMATION  
DEBT SERVICE FUND**

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

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

|                                | <u>Budget<br/>Original</u> | <u>Budget<br/>Final</u> | <u>Actual</u>     | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--------------------------------|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES</b>                |                            |                         |                   |   |
| Tax Revenue:                   |                            |                         |                   |   |
| Taxes - current                | \$ 775,651                 | \$ 775,651              | \$ 897,514        | \$ 121,863  |
| Taxes - delinquent             | 25,000                     | 25,000                  | 28,340            | 3,340   |
| Penalty/interest               | <u>10,500</u>              | <u>10,500</u>           | <u>20,110</u>     | <u>9,610</u>  |
| Total Tax Revenue              | <u>811,151</u>             | <u>811,151</u>          | <u>945,964</u>    | <u>134,813</u>  |
| Investment Earning:            |                            |                         |                   |   |
| Depository interest            | <u>3,500</u>               | <u>3,500</u>            | <u>5,737</u>      | <u>2,237</u>  |
| Total Investment Earnings      | <u>3,500</u>               | <u>3,500</u>            | <u>5,737</u>      | <u>2,237</u>  |
| Total Revenues                 | <u>814,651</u>             | <u>814,651</u>          | <u>951,701</u>    | <u>137,050</u>  |
| <b>EXPENDITURES</b>            |                            |                         |                   |   |
| Debt Service:                  |                            |                         |                   |   |
| Principal payments             | 975,000                    | 975,000                 | 975,000           | -   |
| Interest and fiscal charges    | 182,351                    | 182,363                 | 182,363           | -   |
| Debt service fees              | <u>300</u>                 | <u>300</u>              | <u>300</u>        | <u>-</u>  |
| Total Debt Service             | <u>1,157,651</u>           | <u>1,157,663</u>        | <u>1,157,663</u>  | <u>-</u>  |
| Total Expenditures             | <u>1,157,651</u>           | <u>1,157,663</u>        | <u>1,157,663</u>  | <u>-</u>  |
| Net change in fund balance     | ( 343,000)                 | ( 343,012)              | ( 205,962)        | 137,050   |
| <b>FUND BALANCE, BEGINNING</b> | <u>1,089,420</u>           | <u>1,089,420</u>        | <u>1,089,420</u>  | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>    | <u>\$ 746,420</u>          | <u>\$ 746,408</u>       | <u>\$ 883,458</u> | <u>\$ 137,050</u>   |

**VAN ZANDT COUNTY, TEXAS**

**COMBINING BALANCE SHEET  
ALL AGENCY FUNDS**

**SEPTEMBER 30, 2017**

|                                       | <u>District<br/>Clerk</u> | <u>County<br/>Clerk</u> | <u>Sheriff</u>   | <u>District<br/>Attorney</u> |
|---------------------------------------|---------------------------|-------------------------|------------------|------------------------------|
| <b>ASSETS</b>                         |                           |                         |                  |                              |
| Cash and Cash equivalents             | \$ <u>1,747,958</u>       | \$ <u>633,921</u>       | \$ <u>69,678</u> | \$ <u>150,008</u>            |
| Total Assets                          | <u>1,747,958</u>          | <u>633,921</u>          | <u>69,678</u>    | <u>150,008</u>               |
| <b>LIABILITIES</b>                    |                           |                         |                  |                              |
| Due to other agencies and individuals | <u>1,747,958</u>          | <u>633,921</u>          | <u>69,678</u>    | <u>150,008</u>               |
| Total Liabilities                     | <u>\$ 1,747,958</u>       | <u>\$ 633,921</u>       | <u>\$ 69,678</u> | <u>\$ 150,008</u>            |



| <u>CSCD</u>              | <u>Juvenile<br/>Probation</u> | <u>Tax Assessor/<br/>Collector</u> | <u>Justice of<br/>the Peace</u> | <u>Constable</u>       | <u>Total<br/>Agency<br/>Funds</u> |
|--------------------------|-------------------------------|------------------------------------|---------------------------------|------------------------|-----------------------------------|
| \$ <u>893,856</u>        | \$ <u>67,985</u>              | \$ <u>593,977</u>                  | \$ <u>35,328</u>                | \$ <u>3,739</u>        | \$ <u>4,196,450</u>               |
| <u>893,856</u>           | <u>67,985</u>                 | <u>593,977</u>                     | <u>35,328</u>                   | <u>3,739</u>           | <u>4,196,450</u>                  |
| <u>893,856</u>           | <u>67,985</u>                 | <u>593,977</u>                     | <u>35,328</u>                   | <u>3,739</u>           | <u>4,196,450</u>                  |
| \$ <u><u>893,856</u></u> | \$ <u><u>67,985</u></u>       | \$ <u><u>593,977</u></u>           | \$ <u><u>35,328</u></u>         | \$ <u><u>3,739</u></u> | \$ <u><u>4,196,450</u></u>        |

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**SINGLE AUDIT  
AND COMPLIANCE**

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

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

To the Honorable County Judge  
and Members of the Commissioners' Court  
Canton, 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 Van Zandt County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Van Zandt County, Texas' basic financial statements, and have issued our report thereon dated June 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Van Zandt 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 Van Zandt County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Van Zandt County, Texas' internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2017-001, 2017-002 and 2017-003.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Van Zandt 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*.

## **Van Zandt County, Texas' Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 26, 2018



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Van Zandt County, Texas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Van Zandt County, Texas' major federal programs for the year ended September 30, 2017. Van Zandt County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Van Zandt County, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Van Zandt County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Van Zandt County, Texas' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Van Zandt County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

**Report on Internal Control over Compliance**

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

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

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



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

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

Waco, Texas  
June 26, 2018

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**VAN ZANDT COUNTY, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

| Federal Grant/Pass Through<br>Grantor/ Program Title                       | Federal<br>CFDA<br>Number | Pass Through<br>Grantor's<br>Number | Total<br>Federal<br>Expenditures | Passed<br>Through to<br>Subrecipients |
|--|---------------------------|-------------------------------------|----------------------------------|---------------------------------------|
| U.S. Department of Agriculture   |                           |                                     |                                  |                                       |
| Passed through the Texas Department of Agriculture:                        |                           |                                     |                                  |                                       |
| National School Lunch Program  | 10.555                    | N/A                                 | \$ 21,618                        | \$ -                                  |
| Total U.S. Department of Agriculture                                       |                           |                                     | <u>21,618</u>                    | <u>-</u>                              |
| U.S. Department of Housing and Urban Development                           |                           |                                     |                                  |                                       |
| Passed through Texas Department of Agriculture:                            |                           |                                     |                                  |                                       |
| Community Development Block Grant  | 14.228                    | 713026                              | 26,850                           | -                                     |
| Community Development Block Grant  | 14.228                    | 7216097                             | <u>345,172</u>                   | <u>-</u>                              |
| Total U.S. Department of Housing and Urban Development                     |                           |                                     | <u>372,022</u>                   | <u>-</u>                              |
| U.S. Department of Justice   |                           |                                     |                                  |                                       |
| Passed through Office of the Governor:                                     |                           |                                     |                                  |                                       |
| Crime Victim Assistance  | 16.575                    | 2830702                             | 53,101                           | -                                     |
| Edward Byrne Memorial  |                           |                                     |                                  |                                       |
| Justice Assistance Grant   | 16.738                    | 3069901                             | <u>69,000</u>                    | <u>-</u>                              |
| Total U.S. Department of Justice   |                           |                                     | <u>122,101</u>                   | <u>-</u>                              |
| U.S. Department of Health and Human Services                               |                           |                                     |                                  |                                       |
| Passed Through Texas Department of Family and Protective Services:         |                           |                                     |                                  |                                       |
| Foster Care Title IV- E  | 93.658                    | 23939566                            | 4,773                            | -                                     |
| Foster Care Title IV- E  | 93.658                    | 23939570                            | <u>10,608</u>                    | <u>-</u>                              |
| Total passed through Texas Department of Family<br>and Protective Services |                           |                                     | <u>15,381</u>                    | <u>-</u>                              |
| Total U.S. Department of Health and Human Services                         |                           |                                     | <u>15,381</u>                    | <u>-</u>                              |
| U.S. Department of Homeland Security                                       |                           |                                     |                                  |                                       |
| Passed through Texas Department of Public Safety                           |                           |                                     |                                  |                                       |
| Disaster Grants - Public Assistance  | 97.036                    | PA-06-TX-4223                       | 71,950                           | -                                     |
| Disaster Grants - Public Assistance  | 97.036                    | PA-06-TX-4255                       | 67,556                           | -                                     |
| Disaster Grants - Public Assistance  | 97.036                    | PA-06-TX-4269                       | <u>759,193</u>                   | <u>-</u>                              |
| Total passed through Texas Department of Public Safety                     |                           |                                     | <u>898,699</u>                   | <u>-</u>                              |
| Passed through Office of the Governor:                                     |                           |                                     |                                  |                                       |
| Homeland Security Grant - Interoperable Comm LETPA                         | 97.067                    | 2959201                             | <u>22,801</u>                    | <u>-</u>                              |
| Total U.S. Department of Homeland Security                                 |                           |                                     | <u>921,500</u>                   | <u>-</u>                              |
| Total Expenditures of Federal Awards                                       |                           |                                     | <u>\$ 1,452,622</u>              | <u>\$ -</u>                           |

# **VAN ZANDT COUNTY, TEXAS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

### **1. GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Van Zandt County, Texas. The County's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

### **2. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### **3. INDIRECT COSTS**

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

**VAN ZANDT COUNTY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Summary of Auditors' Results**

Financial Statements:

|   |                              |
|---|------------------------------|
| Type of auditors' report issued                       | Unmodified                   |
| Internal control over financial reporting:            |                              |
| Material weakness(es) identified?                     | 2017-001, 2017-002, 2017-003 |
| Significant deficiency(ies) identified?               | None reported                |
| Noncompliance material to financial statements noted? | No                           |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:                                    |               |
| Material weakness(es) identified?  | None          |
| Significant deficiency(ies) identified?                                  | None reported |
| Type of auditors' report issued on compliance for major federal programs | Unmodified    |

|  |      |
|--|------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance. | None |
|--|------|

Identification of major programs:

|                |                                     |
|----------------|-------------------------------------|
| CFDA Number(s) | Name of Federal Program or Cluster: |
| #97.036        | Disaster Grants - Public Assistance |

|   |           |
|---|-----------|
| Dollar threshold used to distinguish between type A and type B federal programs | \$750,000 |
|---|-----------|

|   |    |
|---|----|
| Auditee qualified as low-risk auditee for federal single audit? | No |
|---|----|

**VAN ZANDT COUNTY, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

**Finding 2017-001 – Segregation of Duties – JP #3**

**Criteria:** In a limited size office, complete segregation of duties is difficult to achieve. Processes can be put in place that when followed in a prescribed order, help to mitigate fraud risk.

**Condition:** With regards to disbursements, the Clerk prepares the checks and presents them to the elected official for review and signature. The elected official then returns the checks to the clerk for the second signature and the clerk mails the check. The clerk is also responsible for preparing the bank reconciliation. As a result, fraud risk is increased as the person preparing the checks should not distribute the checks and reconcile the bank statement. Checks could potentially be altered and concealed since the person preparing the checks and distributing them also reconciles the bank statements. This is caused by lack of supervisory controls.

**Cause:** The JP #3 office has not set up procedures for the month end closing process that have proper segregation of duties.

**Effect:** Increased risk of fraud or error.

**Recommendation:** The clerk should sign checks first and then give them to the elected official for review and signature. The elected official should then seal the checks in envelopes and distribute. The signed checks should not be returned to the clerk who prepared them. The elected official should also receive the unopened bank statement and review the transactions for appropriateness. The elected official should then either prepare the reconciliation or have the clerk prepare the reconciliation and then review it.

**Responsible Official's Response:** The JP#3 office has set up procedures for month end closing. The clerk prepares the checks first and then they are forwarded to the elected official for review and signature. The elected official signs the check and then seals the envelope and distributes. The elected official opens the bank statements and reviews. The statement is handed to the clerk who prepares the reconciliation and upon completion the elected official reviews the reconciliation.

## **Finding 2017-002 – Segregation of Duties – Sheriff’s Office**

- Criteria:** Incompatible duties should be segregated in order to mitigate fraud risk.
- Condition:** Improper segregation of duties was noted as the same employee is responsible for preparing and mailing cash disbursements and reconciling the bank statements. This employee also has access to blank check stock and is an authorized signer on the bank accounts.
- Cause:** The Sheriff’s office has not set up procedures for the month end closing process that have proper segregation of duties.
- Effect:** Increased risk of fraud or error.

**Recommendation:** To improve controls, the employee who prepares the checks and has custody of the blank check stock should not have signature authority. Also, another employee should be responsible for reviewing signed checks along with their supporting documentation and should distribute them. Unopened bank statements should be received by the elected official for opening and review of the activity for appropriateness. The statement can then be forwarded to the employee responsible for preparing the bank reconciliation. Once complete, the bank reconciliations should be reviewed and approved by the elected official and County Auditor’s office.

### **Responsible Official’s Response:**

The Sheriff’s office has set up procedures for month end closing. The administrative assistant for the jail retrieves all funds from a locked drop box and prepares the deposit on a daily basis. The administrative assistant for the Sheriff’s office is responsible for reconciling all bank statements and preparing the necessary checks. The Sheriff receives the unopened bank statement and reviews the transactions before it is reconciled by the Sheriff’s administrative assistant. Once the checks have been prepared, the Sheriff’s administrative assistant gives them to the authorized signors with an addressed envelope to be sealed and mailed by the signor. The check is not returned to the administrative assistant. Neither assistant is an authorized signor on the checking account. A copy of the reconciled statement is forwarded to the County Auditor each month.

## **Finding 2017-003 – Purchase Order System and Budget Compliance**

- Criteria:** The purpose of the purchase order system is to give the County means for overseeing the warrant process to ensure that the expenditures of any department do not exceed the budget appropriation for the department, which is outlined in Texas Local Government Code Section 111.092.
- Condition:** Expenditures exceeded appropriations in some County departments. Purchase orders were approved for which no budget appropriation was available and no amendment was obtained.

**Cause:** The County does not have a procedure in place to decline payment for expenditures that would exceed the current budgeted amount.

**Effect:** The County has not adhered to their written budget policies.

**Recommendation:** All departments should obtain purchase orders when required by policy. Purchase orders should not be issued and approved unless an unexpected balance remains in the line item to which the department is requesting the purchase be charged. Budget amendments, including line item transfers, should be prepared and approved by Commissioners' Court prior to the purchase order being approved. All County departments should evaluate each potential purchase carefully to ensure its absolute necessity for the operations of the County and forego unnecessary spending of taxpayer money in order to reduce expenditures and improve County's finances.

**Responsible Official's Response:** County Auditor's Office agrees with recommendation.





# VAN ZANDT COUNTY

## County Auditor

Sandy Hill

Assistant Auditor I  
Kenny Edwards  
Rhonda Hoffman

121 E Dallas Rm. 102 | Canton, TX 75103  
(903)567-2171 | (903)567-4700 fax

Assistant Auditor II  
Michelle Kenny  
Alisia Harrelson

### SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

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

**Finding 2016-001 – Pooled Cash (FinClear) Account – Unauthorized Borrowing of Funds**

**Criteria:**

Pooling of cash may promote unauthorized borrowing of cash between funds. If a fund uses more of the pooled cash than it is entitled to use, then the fund has borrowed from one of the other funds.

**Condition and Context:**

The County had several funds with deficit balances in the fund's pooled cash (FinClear) account, including the General Fund. As a result, cash in funds with restrictive purposes, such as the Special Revenue funds of the County, were "borrowed" to cover the deficit cash balances in other funds.

**Cause:**

Lack of monitoring and review of pooled cash balances to prevent unauthorized borrowings.

**Recommendation:**

The cash balances of funds intended for specific purposes should be maintained in separate accounts to prevent unauthorized borrowings. Alternatively, a procedure for review of the pooled cash balances could be implemented to identify issues timely, so transfers of cash from TexPool or other sources can be initiated to cover deficits.

**Responsible Official's**

**Response:**

Unauthorized borrowing of funds from cash in funds with restrictive purposes remains a problem for Van Zandt County Government as adequate revenue for the County's General Fund has not and is not currently being provided to cover General Fund expenditures. The practice of not providing revenue to cover the expenditures of the General Fund Operations of the County is poor fiscal management and creates financial reporting issues for Van Zandt County Government. In addition, the general Fund does not have a Cash Reserve Fund available to draw upon to cover cash shortages. Van Zandt County's Auditors Officer is in agreement that separate checking accounts will need to be maintained for Special Revenue Funds to prevent unauthorized borrowing

**Current Status:**

We consider this matter resolved.

**Finding 2016-002 – Accounting Payable Processing**

**Criteria:**

Due care and diligence should be exercised by County personnel responsible for accounts payable processing to ensure bills are entered into the system with minimal error and no duplications. A vendor verification process should be in place to ensure new vendors are valid. Incompatible duties should be separated to mitigate risk.

**Condition and Context:**

During work performed, eight instances of duplicate checks being mailed were noted, with seven of those checks being returned by vendor for voiding. Numerous other instances were noted where duplicate checks were prepared, but were identified and voided prior to be mailed to vendors. Upon review of the County's general ledger, numerous instances of duplicate entries and subsequent correction or void checks were noted. The County has no vendor verification process in place to ensure vendors are valid. Vendor checks are prepared by the Treasurer's Office, sent to the County Auditor's Office for signature and then returned to the County Treasurer for distribution.

**Cause:**

Inadequate controls over the processing of accounts payable as well as lack of due care and diligence when entering bills to be paid.

**Effect:**

The duplicate payment of invoices results in a reduction of County's cash that should not occur, especially during times when cash flow is tight. Duplicate entries and their subsequent correction results in the audit trail being difficult to follow with regards to the County's books as there are many unnecessary debts and credits that appear in the expenditure accounts. Duplicate entries should be a very seldom occurrence. With no vendor verification process, there is a potential for payments to be made to fictitious vendors. Since the County Treasurer's office prepares vendor checks, signed checks could be altered prior to distribution.

**Recommendation:**

The County should revisit the procedures performed by the Treasurer's Office for accounts payable processing to determine what controls and processes need to be implemented or added to keep errors at a minimum. If improvements does not occur, the County should consider moving the accounts payable processing to the County Auditor's Office, with the Treasurer's Office being responsible only for the printing of the checks. The County should develop and implement a vendor verification process to mitigate risk of fictitious vendors. The procedure should be performed by the County Auditor's Office, since the County Treasurer's Office is responsible for setting up vendors in the system. Signed vendor checks should be distributed by personnel other than County Treasurer's Office personnel.

**Responsible Official's**

**Response:**

The County Treasurer and County Auditor Offices have agreed that when a W-9 for a new vendor is received; the vendor information will be given to the Auditor's Office to make a telephone call to verify the Vendor does exist. After the verification the Treasurer's Office will be notified to set up the new vendor. Also, the Auditor's Office will begin stuffing and mailing the accounts payable checks after the Treasurer and the Auditor signs the check.

**Current Status:**

We consider this matter resolved.

**Finding 2016-003 – Segregation of Duties – JP #3**

**Criteria:**

In a limited size office, complete segregation of duties is difficult to achieve. Processes can be put in place that when followed in a prescribed order, help to mitigate fraud risk.

**Condition and Context:**

With regards to disbursements, the Clerk prepares the checks and presents them to the elected official for review and signature. The elected official then returns the checks to the clerk for the second signature and the clerk mails the check. The clerk is also responsible for preparing the bank reconciliation. As a result, fraud risk is increased as the person preparing the checks should not distribute the checks and reconcile the bank statement. Checks could potentially be altered and concealed since the person preparing the checks and distributing them also reconciles the bank statements.

**Cause:**

Lack of supervisory controls.

**Effect:**

Increased fraud risk.

**Recommendation:** The clerk should sign checks first and then give to the elected official for review and signature. The elected official should then seal the checks in envelopes and distribute. The signed checks should not be returned to the clerk who prepared them. The elected official should also receive the unopened bank statement and review the transactions for appropriateness. The elected official should then either prepare the reconciliation or have the clerk prepare the reconciliation and then review it.

**Responsible Official's Response:** Agree with recommendation outlined above by Audit Firm.

**Current Status:** See current year finding 2017-001.

### **Finding 2016-004 – Segregation of Duties – Sheriff's Office**

**Criteria:** Incompatible duties should be segregated in order to mitigate fraud risk.

**Condition and Context:** Improper segregation of duties was noted as the same employee is responsible for preparing and mailing cash disbursements and reconciling the bank statements. This employee also has access to blank check stock and is an authorized signer on the bank accounts.

**Cause:** Improper segregation of duties.

**Effect:** Increased fraud risk.

**Recommendation:** To improve controls, the employee who prepares the checks and has custody of the blank check stock should not have signature authority. Also, another employee should be responsible for reviewing signed checks along with their supporting documentation and should distribute them. Unopened bank statements should be received by the elected official for opening and review of the activity for appropriateness. The statement can then be forwarded to the employee responsible for preparing the bank reconciliation. Once complete, the bank reconciliations should be reviewed and approved by the elected official.

**Responsible Official's Response:** Agree with Independent Auditor's recommendation. County Auditor will work with Sheriff's Department to implement appropriate procedure.

**Current Status:** See current year finding 2017-002.

**Finding 2016-005 – Purchase Order System and Budget Compliance**

**Criteria:** The purpose of the purchase order system is to give the County means for overseeing the warrant process to ensure that the expenditures of any department do not exceed the budget appropriation for the department, which is outlined in Texas Local Government Code Section 111.092.

**Condition and Context:** Expenditures exceeded appropriations in several County departments.

**Cause:** Purchase orders were approved for which no budget appropriation was available and no amendment was obtained. Also, could be caused by departments not obtaining purchase order as required.

**Effect:** Noncompliance with Texas Local Government Code with regards to budget.

**Recommendation:** All departments should obtain purchase orders when required by policy. Purchase orders should not be issued and approved unless an unexpected balance remains in the line item to which the department is requesting the purchase be charged. Budget amendments, including line item transfers, should be prepared and approved by Commissioners’ Court prior to the purchase order being approved. All County departments should evaluate each potential purchase carefully to ensure its absolute necessity for the operations of the County and forego unnecessary spending of taxpayer money in order to reduce expenditures and improve County’s finances.

**Responsible Official’s Response:** County Auditor’s Office agrees with recommendation.

**Current Status:** See current year finding 2017-003.

**Finding 2016-006 – Procurement Procedures over Capital Assets**

**Criteria:** There are several laws and procedures that govern purchases at the County. Capital assets that exceed a purchase price of \$50,000 are required to go out for bids under the Texas Local Government Code. The County also requires a purchase order for items that cost more than \$100.

**Condition and Context:** The County purchased a motor grader that cost greater than \$50,000, but did not document that they went out for bids. The County also purchased a Chevy Tahoe for \$15,500 and no purchase order was completed.

**Cause:** The purchase of the Tahoe was completed without a purchase order. This was a purchase out of a commissary account and the department that purchased the vehicle did not feel that a purchase order was required due to the purchase coming from restricted funds. The Commissioners' Court did approve the purchase of the motor grader in court but did not get any bids on that purchase.

**Effect:** The County was not in compliance with Texas procurement laws or the County purchasing policy for these two purchases.

**Recommendation:** The County should follow the purchasing policy that they have approved. This policy requires a purchase order for all items as a method showing proper approval for purchases. The County should also seek a reverse auction or request bids by informing potential vendors of specifications for used equipment when looking to purchase used equipment. With the purchasing function being under the County Auditor's office, a representative from that office should attend annual purchasing/procurement training annually. Purchasing laws and regulations change a lot and these trainings are a good way to stay informed of changes to these laws. In conjunction with the annual training, the County should also update their purchasing policy on an annual basis as well.

**Responsible Official's Response:** The County Auditor's office agrees with the recommendation.

**Current Status:** We consider this matter resolved.

**Findings and Questioned Costs for Federal Awards**

**Finding 2016-007**

**Federal Grantor:** Department of Homeland Security

**Program:** Disaster Grants – Public Assistance (PA-06-TX-4223, PA-06-TX-4255)

**Compliance Requirement:** Procurement

**Criteria:** Per 2 CFR 200.213, recipients of federal awards are prohibited from contracting with or making sub-awards to parties that are suspended, debarred or otherwise excluded from or ineligible for participation in federal or state assistance programs or activities.

**Condition:** We identified instances in which no documentation could be provided by the County for the verification of vendor suspension or debarment status. The condition exists because of a lack of procurement procedures regarding suspended and debarred vendors or sub-awardees.

**Cause:** The County did not have a policy to check the debarred vendor list each time a new vendor was added.

**Effect:** The County could inadvertently make a sub-award to or contract with a suspended, debarred or otherwise excluded party. These costs could be subject to disallowance by a federal granting agency. In our testing, however, we did not note a situation where the County made a sub-award or contracted with suspended, debarred or otherwise excluded parties.

**Recommendation:** We recommend the County implement a policy to verify that each entity it contracts with or makes sub-awards to is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the System for Award Management ([www.sam.gov](http://www.sam.gov)) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Additionally, management or representatives of management should periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

**Responsible Official's Response:** Before contracting or making any sub-awards in relation to federal funding, Van Zandt County will verify the suspension, debarment or exclusion status of any vendors to avoid awarding contracts to those not eligible for participation in federal or state assistance program activities. Van Zandt County will use [www.sam.gov](http://www.sam.gov) to accomplish this.

**Current Status:** We consider this matter resolved.

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