

VAN ZANDT COUNTY, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and
OTHER INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

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Independent Auditors' Report

Honorable County Judge and Commissioners' Court
Van Zandt County, 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, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 and Note 8, the County implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*, as well as Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. These standards significantly changed the accounting for the County's net pension asset and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 3-8; the budgetary comparison information and related notes contained in Schedules 2- 6 on pages 38-46; the Schedule of Changes in the County's Net Pension Liability and Related Ratios on pages 36; and the Schedule of Employer Contributions and related notes on page 37, 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 accompanying other supplementary information, including the combining fund financial statements, the budgetary comparison information contained in Schedules 2- 6 and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information, including the combining fund financial statements, the budgetary comparison information contained in Schedules 2- 6 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 accompanying other supplementary information, including the combining fund financial statements, the budgetary comparison information contained in Schedules 2- 6 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 September 23, 2016 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.



Certified Public Accountants

Tyler, Texas
September 23, 2016

**VAN ZANDT COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

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, 2015. Please read it in conjunction with the County's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$9,203,936 (*net position*). Of this amount, \$1,757,874 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$1,398,769. Of this amount, \$777,209 was an increase from current operations for the year and \$621,560 was a prior period adjustment from the adoption of GASB Statement No. 68.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,138,733, an increase of \$267,130 in comparison with the prior year. The County has no fund balance available for spending at the County's discretion as unassigned fund balance is \$(328,580).
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$(322,146).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets 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 position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*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 administration, judicial, health and welfare, public safety, highways and bridges, sanitation, conservation and culture and recreation. The County has no business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific 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 fund* 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 maintains 38 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, and Debt Service, all 6 of which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this 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 increased from \$7,805,167 to \$9,203,936. 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 legislation, or other legal requirements – was \$1,757,874 as of September 30, 2015.

The net position of the County increased by \$1,398,769 in fiscal year 2015, as opposed to an increase of \$761,420 in fiscal year 2014. Total assets decreased \$407,218 when compared to fiscal year 2014. The main factor in this decrease was depreciation charges associated with the County's fixed assets.

TABLE 1
VAN ZANDT COUNTY, TEXAS
NET POSITION

	Governmental Activities		
	2015	2014	2013
Current and other assets	\$6,234,733	\$6,295,608	\$5,140,184
Capital assets	11,404,232	11,942,218	12,766,349
Net pension assets	191,643	0	0
Total assets	17,830,608	18,237,826	17,906,533
Deferred outflows of resources	672,656	0	0
Current liabilities	2,656,952	2,982,308	1,360,116
Non current liabilities	6,607,906	7,450,351	9,502,670
Total liabilities	9,264,858	10,432,659	10,862,786
Deferred inflows	34,470	0	0
Net position			
Net invested in capital assets	3,978,749	3,751,332	3,617,826
Nonspendable	34,672	0	0
Restricted	3,432,641	2,711,837	2,288,087
Unrestricted	1,757,874	1,341,998	1,137,834
Total net position	\$9,203,936	\$7,805,167	\$7,043,747

TABLE 2
VAN ZANDT COUNTY, TEXAS
CHANGES IN NET POSITION

	Governmental Activities	
	2015	2014
Revenues:		
Charges for services	\$4,049,008	\$3,780,014
Operating grants and contributions	555,493	805,325
Capital grants and contributions	557,848	218,752
General revenue:		
Property taxes	11,229,304	11,060,377
Miscellaneous	327,797	176,597
Gain (loss) on sale of assets	(39,542)	18,879
Insurance proceeds	34,427	14,845
Interest income	5,289	2,052
Total revenues	16,719,624	16,076,841
Expenses:		
General government	3,744,877	3,579,500
Judicial	2,440,354	2,304,376
Public safety	5,745,755	5,464,498
Health and welfare	142,408	186,552
Highways and bridges	3,363,318	3,256,843
Culture and recreation	116,251	115,293
Conservation	79,716	78,343
Sanitation	58,561	58,075
Interest on long-term debt	251,175	191,200
Total expenses	15,942,415	15,234,680
Change in net position	777,209	842,161
Prior Period Adjustment	621,560	(80,741)
Net position beginning of year	7,805,167	7,043,747
Net position End of Year	\$9,203,936	\$7,805,167

PRIOR PERIOD ADJUSTMENT

In the government wide presentation, a net prior period adjustment was made to beginning net position of \$621,560. This prior period adjustment is comprised of an increase of \$421,609 due to the adoption of GASB statement No. 68 "Accounting and Financial Reporting for Pensions" and an increase to beginning net pension asset of \$199,951 due to the adoption of GASB statement No. 71 "Pension Transition for Contributions made Subsequent to the Measurement Date." This prior period adjustment resulted in an increase to the County's beginning net position of \$621,560, an increase to the beginning deferred outflows of \$421,609, and an increase to beginning net pension asset of \$199,951.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 11 – 12) reported a combined fund balance of \$3,138,733 which represents a \$267,130 increase 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 we estimated in September of 2014). Also, the second category was the board approving several changes in appropriations to prevent budget overruns.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	
	2015	2014
Land	\$514,749	\$595,749
Buildings and improvements	3,381,057	3,657,615
Infrastructure	6,084,365	6,500,671
Machinery and equipment	1,424,061	1,188,183
Total	\$11,404,232	\$11,942,218

At the end of 2015, the County had approximately \$11,404,232 (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.

This year's major additions included:

Various vehicles, tractors and equipment: \$516,944

Debt

	Governmental Activities	
	2015	2014
Certificates of obligation	\$6,911,000	\$7,821,000
Notes Payable	514,483	369,886
Compensated absences	400,464	406,828
Total	<u>\$7,825,947</u>	<u>\$8,597,714</u>

At year-end, the County had \$514,483 in notes payable for various County equipment and vehicles. The County issued \$348,924 in new debt and paid \$204,327 in principal payments for the year. The County also had \$6,911,000 of Certificates of Obligation outstanding at year-end. The County paid \$910,000 in principal payments on these obligations in fiscal year 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's General Fund balance of \$(287,474) reported on pages 13 and 41 differs from the General Fund's budgetary fund balance of \$24,038. The primary reason for the difference was the County actually incurred \$2,423,243 in Jail Fund expenses compared to budgeted expenses of \$1,982,274, resulting in the Jail Fund exceeding budget by \$(440,969).

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 County has experienced a population growth of 9.2% since 2000.

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 2016 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 to grow, but at a smaller pace than the increase in revenue.

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.

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BASIC FINANCIAL STATEMENTS

VAN ZANDT COUNTY, TEXAS
STATEMENT OF NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>PRIMARY GOVERNMENT</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 3,559,385
Receivables (net of allowance for doubtful accounts)	2,640,676
Prepays and other assets	34,672
Capital assets (net of accumulated depreciation):	
Land	514,749
Buildings	3,381,057
Machinery and equipment	1,424,061
Infrastructure	6,084,365
Total Capital Assets	<u>11,404,232</u>
Net Pension Asset	<u>191,643</u>
Total Assets	<u>17,830,608</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on pension	<u>672,656</u>
Total Deferred Outflows of Resources	<u>672,656</u>
LIABILITIES	
Vouchers payable	870,483
Salaries payable	248,623
Accrued interest payable	81,056
Due to other governments	238,749
Long-term debt:	
Due within one year	1,218,041
Due in more than one year	6,607,906
Total Liabilities	<u>9,264,858</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on pension	<u>34,470</u>
Total Deferred Inflows of Resources	<u>34,470</u>
NET POSITION	
Net investment in capital assets	3,978,749
Nonspendable	34,672
Restricted for:	
Road and bridge	1,444,002
Court technology and security	22,776
Records management	447,773
Judicial	70,712
Public safety	(12,050)
Law library	51,281
Conservation	23,290
Economic Development	124,075
Historical commission	7,863
Disaster relief	(55,350)
Capital projects	173
Debt service	1,308,096
Unrestricted	<u>1,757,874</u>
Total Net Position	<u>\$ 9,203,936</u>

**VAN ZANDT COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental activities:					
General government	\$ 3,744,877	\$ 780,268	\$ 37,356	\$ 379,879	\$ (2,547,374)
Judicial	2,440,354	1,651,248	228,347	-	(560,759)
Public safety	5,745,755	189,199	281,273	-	(5,275,283)
Health and welfare	142,408	-	8,517	-	(133,891)
Highways and bridges	3,363,318	1,312,067	-	177,969	(1,873,282)
Cultural and recreation	116,251	7,129	-	-	(109,122)
Conservation	79,716	-	-	-	(79,716)
Sanitation	58,561	109,097	-	-	50,536
Interest on long-term debt	251,175	-	-	-	(251,175)
Total primary government	\$ 15,942,415	\$ 4,049,008	\$ 555,493	\$ 557,848	\$ (10,780,066)
General revenues:					
Property taxes					\$ 11,229,304
Investment earnings					5,289
Loss on sale of assets					(39,542)
Insurance proceeds					34,427
Other					327,797
Total general revenues					<u>11,557,275</u>
Change in net position					777,209
Net position - beginning of year as previously reported					7,805,167
Prior period adjustment for the effects of GASB 68					<u>621,560</u>
Net position - beginning of year as restated					<u>8,426,727</u>
Net position - end of year					<u>\$ 9,203,936</u>

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

**VAN ZANDT COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	GENERAL	ROAD AND BRIDGE PRECINCT #1	ROAD AND BRIDGE PRECINCT #2	ROAD AND BRIDGE PRECINCT #3	ROAD AND BRIDGE PRECINCT #4	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and cash equivalents	\$ 849,752	\$ 365,885	\$ 236,951	\$ 176,830	\$ 339,927	\$ 1,298,038	\$ 292,002	\$ 3,559,385
Receivables:								
Property taxes	413,128	22,163	27,077	22,578	21,680	76,026	-	582,652
Other	1,571,034	132,521	131,908	4,851	43,648	40	174,022	2,058,024
Prepaid and other assets	34,672	-	-	-	-	-	-	34,672
Due from other funds	212,339	132,793	175,676	88,599	189,356	-	631,338	1,430,101
Total assets	\$ 3,080,925	\$ 653,362	\$ 571,612	\$ 292,858	\$ 594,611	\$ 1,374,104	\$ 1,097,362	\$ 7,664,834
LIABILITIES								
Vouchers payable	\$ 454,492	\$ 90,592	\$ 126,196	\$ 34,090	\$ 54,940	\$ -	\$ 110,173	\$ 870,483
Salaries payable	164,607	13,285	14,321	13,587	14,054	-	28,769	248,623
Bank overdraft	-	-	-	-	-	-	-	-
Due to others	238,749	-	-	-	-	-	-	238,749
Unearned revenue	-	-	-	-	-	-	-	-
Due to other funds	918,451	105,263	-	122,076	-	-	284,311	1,430,101
Total liabilities	1,776,299	209,140	140,517	169,753	68,994	-	423,253	2,787,956
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-fines	1,234,399	-	-	-	-	-	-	1,234,399
Unavailable revenue-property taxes	357,701	18,959	23,218	19,319	18,541	66,008	-	503,746
Total deferred inflows of resources	1,592,100	18,959	23,218	19,319	18,541	66,008	-	1,738,145
FUND BALANCES								
Nonspendable:								
Prepaid expenditures	34,672	-	-	-	-	-	-	34,672
Restricted for:								
Road and bridge	-	425,263	407,877	103,786	507,076	-	-	1,444,002
Court technology and security	-	-	-	-	-	-	22,776	22,776
Records management	-	-	-	-	-	-	447,773	447,773
Judicial	-	-	-	-	-	-	70,712	70,712
Public safety	-	-	-	-	-	-	(12,050)	(12,050)
Debt service	-	-	-	-	-	1,308,096	-	1,308,096
Law library	-	-	-	-	-	-	51,281	51,281
Conservation	-	-	-	-	-	-	23,290	23,290
Economic development	-	-	-	-	-	-	124,075	124,075
Capital projects	-	-	-	-	-	-	173	173
Historical commission	-	-	-	-	-	-	7,863	7,863
Disaster relief	-	-	-	-	-	-	(55,350)	(55,350)
Unassigned	(322,146)	-	-	-	-	-	(6,434)	(328,580)
Total fund balances	(287,474)	425,263	407,877	103,786	507,076	1,308,096	674,109	3,138,733
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,080,925	\$ 653,362	\$ 571,612	\$ 292,858	\$ 594,611	\$ 1,374,104	\$ 1,097,362	\$ 7,664,834

**VAN ZANDT COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (EXHIBIT 1)
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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

Total fund balances governmental funds (Exhibit 3)	\$	3,138,733
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.		11,404,232
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.		1,738,145
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.		(81,056)
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		672,656
Deferred inflows is an acquisition of net assets that is applicable to a future reporting period.		(34,470)
Other assets, including net pension assets, that are not recognized in the current period and, therefore, are not reported in the governmental funds balance sheet.		191,643
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>(7,825,947)</u>
Net position of governmental activities	\$	<u><u>9,203,936</u></u>

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

	GENERAL	ROAD AND BRIDGE PRECINCT #1	ROAD AND BRIDGE PRECINCT #2	ROAD AND BRIDGE PRECINCT #3	ROAD AND BRIDGE PRECINCT #4	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Property taxes	\$ 7,815,521	\$ 483,478	\$ 582,420	\$ 491,806	\$ 473,728	\$ 1,392,218	\$ -	\$ 11,239,171
Permits, licenses and fees	2,194,358	282,546	446,159	306,348	277,014	-	471,204	3,977,629
Investment earnings	3,026	231	231	147	358	1,063	233	5,289
Intergovernmental revenues	248,012	127,690	11,270	-	39,009	-	687,361	1,113,342
Other revenues and fees	163,595	-	1,500	21,800	1,024	-	139,878	327,797
Total revenues	10,424,512	893,945	1,041,580	820,101	791,133	1,393,281	1,298,676	16,663,228
EXPENDITURES								
Current:								
General government	2,816,911	-	-	-	-	-	165,473	2,982,384
Judicial	2,367,411	-	-	-	-	-	111,234	2,478,645
Public safety	4,855,450	-	-	-	-	-	705,260	5,560,710
Health and welfare	142,823	-	-	-	-	-	-	142,823
Conservation	78,263	-	-	-	-	-	3,000	81,263
Highways and bridges	38,087	669,211	865,830	767,170	618,332	-	11,315	2,969,945
Cultural and recreation	118,509	-	-	-	-	-	-	118,509
Sanitation	59,281	-	-	-	-	-	-	59,281
Capital outlay	363,253	14,649	73,924	-	76,085	-	527,416	1,055,327
Debt service:								
Principal retirement	132,669	14,163	17,972	39,523	-	910,000	-	1,114,327
Interest and fiscal charges	12,529	1,033	2,308	1,306	-	240,517	-	257,693
Total expenditures	10,985,186	699,056	960,034	807,999	694,417	1,150,517	1,523,698	16,820,907
Excess (deficiency) of revenues over (under) expenditures	(560,674)	194,889	81,546	12,102	96,716	242,764	(225,022)	(157,679)
OTHER FINANCING SOURCES (USES)								
Note proceeds	275,000	-	73,924	-	-	-	-	348,924
Insurance proceeds	34,427	-	-	-	-	-	-	34,427
Sale of assets	41,458	-	-	-	-	-	-	41,458
Transfers in	74,000	-	-	-	-	-	317,075	391,075
Transfers (out)	(317,075)	(13,500)	(8,500)	(8,500)	(18,500)	-	(25,000)	(391,075)
Total other financing sources (uses)	107,810	(13,500)	65,424	(8,500)	(18,500)	-	292,075	424,809
Net change in fund balances	(452,864)	181,389	146,970	3,602	78,216	242,764	67,053	267,130
Fund balances, Beginning	165,390	243,874	260,907	100,184	428,860	1,065,332	607,056	2,871,603
Fund balances - Ending	\$ (287,474)	\$ 425,263	\$ 407,877	\$ 103,786	\$ 507,076	\$ 1,308,096	\$ 674,109	\$ 3,138,733

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

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, 2015

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

Net change in fund balances - total governmental funds	\$	267,130
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.		(537,986)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		61,511
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.		208,269
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.		778,285
Change in net position of governmental activities	\$	777,209

**VAN ZANDT COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT 6

	<u>TOTAL FIDUCIARY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 4,512,862
Due from county and other agencies	<u>257,077</u>
Total assets	<u>\$ 4,769,939</u>
LIABILITIES	
Due to other agencies and individuals	<u>\$ 4,769,939</u>
Total liabilities	<u>\$ 4,769,939</u>

**VAN ZANDT COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. 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 the 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, jail 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 funds 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 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. Expenditures 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 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 unliquidated 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 **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:

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, the 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."

Advances between funds, as 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 accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables. The

property tax receivable allowance is equal to 30 percent of outstanding property taxes as of September 30, 2015.

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 the 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 estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
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 employee 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 a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and either taken off or paid at the employees' 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. During the current year, the County implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred and a restatement to beginning net position has been made in accordance with this statement.

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 the net pension liability which are discussed below.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is 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 of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being 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 investments is also deferred and amortized against pension expense over a five year period. Additionally, any 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. Fund Balance Classification

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

governmental fund financial statements are as follows:

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

10. Net Position

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County's retirement plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. 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 \$1,738,145 difference is as follows:

Property taxes	\$ 503,745
Court receivables	<u>1,234,400</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 1,738,145</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 \$(7,825,947) difference is as follows:

Certificates of obligation payable	\$ (6,911,000)
Notes payable obligations	(514,483)
Compensated absences	<u>(400,464)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position governmental activities	<u>\$ (7,825,947)</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 \$11,404,232 difference is as follows:

Beginning balance of capital assets, net of depreciation	\$ 11,942,218
Capital asset additions, net of retirements	559,458
Depreciation of capital assets, current year	<u>(1,097,444)</u>
	<u>\$ 11,404,232</u>

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that

reconciliation indicates that “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.” The detail of this \$(537,986) difference is as follows:

Capital outlay	\$ 559,458
Depreciation expense	<u>(1,097,444)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (537,986)</u>

Another element of that reconciliation states that “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 issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities.” The detail of this \$778,285 difference is as follows:

Notes payable proceeds	\$ (348,924)
Principal payments on long-term debt	1,114,327
Change in accrued interest	6,518
Change in compensated absences	<u>6,364</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 778,285</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Expenditures Over Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations within the General Fund’s departments as follows: Non-departmental (\$48,471); Veterans (\$41); Data processing (\$14,152); Capital murder (\$54,360); Indigent defense (\$23,237); Sheriff’s department (\$54,369); Jail (\$440,969); Capital outlay Constable precinct 4 (\$20); Capital outlay Sheriff’s department (\$34,108) and General Fund debt service (\$49,690).

B. Deficit Fund Balance

The General Fund, Bullet Proof Vest Grant, Chapter 19, Homeland Security, VOICES Grant, and Juvenile Probation funds have deficit fund balances of (\$287,474), (\$5,430), (\$2,887), (\$3,003), (\$3,547), and (\$173,573) respectively. The County plans to cover these deficits with either transfers or greater revenues than expenditures in fiscal year 2016.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash and investments as of September 30, 2015 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	<u>\$ 3,559,385</u>
 Total Cash and cash equivalents	 <u>\$ 3,559,385</u>
 Cash on hand	 \$ 5,952
Checking and savings accounts	633,331
External investment pools	<u>2,920,102</u>
	 <u>\$ 3,559,385</u>

The carrying amount of the County's cash was \$633,331, and total bank balances equaled \$968,671. The carrying amount of the County's Trust and Agency cash was \$4,512,862 and total bank balances equaled \$3,798,978. The bank deposits were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

All deposits are held in the County's main depository or subdepository banks 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, 2015, the County had the following cash equivalents:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,179,538	82
MBIA Class	<u>740,564</u>	77
 Total fair value	 <u>\$ 2,920,102</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 deposit, (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.

The County's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits.

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 exercises 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 & Bridge</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 590,183	\$ 133,569	\$ 108,610	\$ -	\$ 832,362
Accounts	336,634	312,928	40	174,022	823,624
Fines & Fees	<u>12,344,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,344,004</u>
Gross receivables	13,270,821	446,497	108,650	174,022	13,999,990
Less: allowance for uncollectibles	<u>(11,286,659)</u>	<u>(40,071)</u>	<u>(32,584)</u>	<u>-</u>	<u>(11,359,314)</u>
Net total receivables	<u>\$ 1,984,162</u>	<u>\$ 406,426</u>	<u>\$ 76,066</u>	<u>\$ 174,022</u>	<u>\$ 2,640,676</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in

connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General fund:			
Delinquent property taxes receivable	\$ 357,701	\$ -	\$ 357,701
Court fines and fees receivable	1,234,399	-	1,234,399
Road & Bridge 1-4:			
Delinquent property taxes receivable	80,037	-	80,037
Debt service:			
Delinquent property taxes receivable	<u>66,008</u>	<u>-</u>	<u>66,008</u>
Governmental Funds	<u><u>\$ 1,738,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,738,145</u></u>

Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications / Adjustments</u>	<u>Ending Balance</u>
Government activities:					
Capital assets, not being depreciated:					
Land	\$ 595,749	\$ -	\$ -	\$ (81,000)	\$ 514,749
Total capital assets not being depreciated	<u>595,749</u>	<u>-</u>	<u>-</u>	<u>(81,000)</u>	<u>514,749</u>
Capital assets, being depreciated:					
Buildings and improvements	7,788,798	-	-	-	7,788,798
Machinery and equipment	7,865,953	516,944	(165,997)	33,720	8,250,620
Infrastructure	8,317,078	-	-	-	8,317,078
Total capital assets being depreciated	<u>23,971,829</u>	<u>516,944</u>	<u>(165,997)</u>	<u>33,720</u>	<u>24,356,496</u>
Less accumulated depreciation:					
Buildings and improvements	(4,131,183)	(276,558)	-	-	(4,407,741)
Machinery and equipment	(6,677,770)	(404,580)	165,997	89,794	(6,826,559)
Infrastructure	(1,816,407)	(416,306)	-	-	(2,232,713)
Total accumulated depreciation	<u>(12,625,360)</u>	<u>(1,097,444)</u>	<u>165,997</u>	<u>89,794</u>	<u>(13,467,013)</u>
Total capital assets, being depreciated, net	<u>11,346,469</u>	<u>(580,500)</u>	<u>-</u>	<u>123,514</u>	<u>10,889,483</u>
Governmental activities capital assets, net	<u><u>\$ 11,942,218</u></u>	<u><u>\$ (580,500)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,514</u></u>	<u><u>\$ 11,404,232</u></u>

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

Governmental activities:	
General Government	\$ 301,809
Public Safety	373,276
Highways and bridges	<u>422,359</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,097,444</u>

Interfund Receivables, Payables and Transfers

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

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road & Bridge Precinct #1	\$ 105,263
General Fund	Road & Bridge Precinct #3	107,076
Road & Bridge Precinct #4	Road & Bridge Precinct #3	15,000
Road & Bridge Precinct #1	General Fund	132,793
Road & Bridge Precinct #2	General Fund	175,676
Road & Bridge Precinct #3	General Fund	88,599
Road & Bridge Precinct #4	General Fund	174,356
Other Nonmajor Govt Funds	Other Nonmajor Govt Funds	284,311
Other Nonmajor Govt Funds	General Fund	<u>347,027</u>
 Total interfund balances		 <u>\$ 1,430,101</u>

	<u>Transfer in</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfer out:			
General	\$ -	\$ 317,075	\$ 317,075
Road & Bridge 1-4	49,000	-	49,000
Nonmajor governmental	<u>25,000</u>	<u>-</u>	<u>25,000</u>
 Total transfers	 <u>\$ 74,000</u>	 <u>\$ 317,075</u>	 <u>\$ 391,075</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 purchase 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, 2015 are comprised of the following issues:

Certificates of Obligation

Name	Original Issue Amount	Maturity Date	Interest Rate	Current Balance
Series 2004 Combination Tax and Revenue Certificates of Obligation	\$ 1,500,000	2/15/2019	4.65%	\$ 515,000
Series 2008 Certificates of Obligation	\$ 6,375,000	4/30/2023	3.39%	\$ 3,790,000
Series 2010 Certificates of Obligation	\$ 4,099,000	12/15/2020	3.02%	\$ 2,606,000
				<u>\$ 6,911,000</u>

Notes

Name	Original Issue Amount	Maturity Date	Interest Rate	Current Balance
Government Capital Corporation - Contract #5843	\$ 143,349	12/13/2015	3.58%	\$ 37,885
Government Capital Corporation - Contract #5963	\$ 55,706	4/19/2016	3.58%	\$ 14,670
Government Capital Corporation - Contract #6209	\$ 125,000	1/15/2017	2.66%	\$ 64,105
Government Capital Corporation - Contract #6464	\$ 125,000	4/15/2018	3.20%	\$ 75,957
Government Capital Corporation - Contract #6485	\$ 41,960	4/15/2017	4.53%	\$ 21,271
Government Capital Corporation - Contract #6722	\$ 73,924	8/1/2018	4.31%	\$ 55,952
Government Capital Corporation - Contract #6795	\$ 125,000	8/1/2018	4.31%	\$ 94,643
Government Capital Corporation - Contract #6851	\$ 150,000	12/5/2019	3.20%	\$ 150,000
				<u>\$ 514,483</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year	Interest
Governmental activities							
Certificates of obligation	\$ 7,821,000	\$ -	\$ 910,000	\$ -	\$ 6,911,000	\$ 942,000	\$ 115,566
Notes	369,886	348,924	204,327	-	514,483	195,948	17,508
Compensated absences	406,828	37,341	28,626	15,079	400,464	80,093	-
Total Governmental activity							
Long-term liabilities	<u>\$ 8,597,714</u>	<u>\$ 386,265</u>	<u>\$ 1,142,953</u>	<u>\$ 15,079</u>	<u>\$ 7,825,947</u>	<u>\$ 1,218,041</u>	<u>\$ 133,074</u>

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 September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 942,000	\$ 222,270	\$ 1,164,270
2017	975,000	189,998	1,164,998
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
2021-2023	<u>2,008,000</u>	<u>112,666</u>	<u>2,120,666</u>
Total	<u>\$ 6,911,000</u>	<u>\$ 892,996</u>	<u>\$ 7,803,996</u>

Debt Service requirements for notes are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 195,948	\$ 17,507	\$ 213,455
2017	147,721	11,298	159,019
2018	108,270	6,046	114,316
2019	30,778	2,004	32,782
2020	<u>31,766</u>	<u>1,018</u>	<u>32,784</u>
Total	<u>\$ 514,483</u>	<u>\$ 37,873</u>	<u>\$ 552,356</u>

5. 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, 2015, the County had no liability for unpaid claims or adjustments under policies carried with the risk pool. During the year ended September 30, 2015, 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.

6. 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, may 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 a material adverse effect upon the operations of the County.

7. DEFINED BENEFIT PENSION PLAN

Plan Description

Van Zandt County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit 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 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 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 contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Plan Membership

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

	<u>12/31/2013</u>	<u>12/31/2014</u>
Inactive employees or beneficiaries currently receiving benefits	119	123
Inactive employees entitled to but not yet receiving benefits	103	117
Active employees	<u>209</u>	<u>217</u>
	<u>431</u>	<u>457</u>

Contributions

The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.16% for the months of the accounting year in 2015, and 8.53% for the months of the accounting year in 2014. County contributions to the plan were \$558,943 for the year ended September 30, 2015.

The deposit rate payable by the employee members for calendar year 2015 is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer deposit rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Net Pension Liability of the County

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

Actuarial Assumptions

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

Inflation	3.0%
Overall payroll growth	3.5%
Investment rate of return	8.10%, net of pension plan investments expenses, including inflation

Salary increases were based on a service-related table. Mortality rates for active members were based on 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 set-back, both with the projection scale AA. Mortality rates for service retirees, beneficiaries and non-depositing members were based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females. Mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10% and is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The

capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 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. For more details, see Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net)+50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index+50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index+33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%
		<u>100.00%</u>	

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

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

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

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

Discount Rate

The discount rates used to measure the Total Pension Liability was 8.10%. 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 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

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2013	\$ 22,692,555	\$ 22,892,506	\$ (199,951)
Changes for the year:			
Service cost	782,514	-	782,514
Interest on total pension liability (1)	1,820,701	-	1,820,701
Effect of economic/demographic gains or losses	(51,704)	-	(51,704)
Refund of contributions	(195,506)	(195,506)	-
Benefit payments	(1,025,063)	(1,025,063)	-
Administrative expenses	-	(18,133)	18,133
Member contributions	-	453,117	(453,117)
Net investment income	-	1,557,818	(1,557,818)
Employer contributions	-	552,153	(552,153)
Other (2)	-	(1,752)	1,752
Balances as of December 31, 2014	\$ 24,023,497	\$ 24,215,140	\$ (191,643)

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

(2) 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 in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 26,844,113	\$ 24,023,497	\$ 21,696,027
Fiduciary net position	<u>24,215,140</u>	<u>24,215,140</u>	<u>24,215,140</u>
Net pension liability/(asset)	<u>\$ 2,628,973</u>	<u>\$ (191,643)</u>	<u>\$ (2,519,113)</u>

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

For the year ended September 30, 2015, the County recognized pension expense of \$350,716. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 34,470
Net difference between projected and actual earnings	244,215	-
Contributions made subsequent to measurement date	<u>428,441</u>	<u>-</u>
Total	<u>\$ 672,656</u>	<u>\$ 34,470</u>

County contributions subsequent to the measurement date of \$428,441 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, 2016. 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 ending December 31:

2015	\$ 43,819
2016	43,819
2017	61,054
2018	<u>61,053</u>
	<u>\$ 209,745</u>

8. PRIOR PERIOD ADJUSTMENT

As discussed in Note 1 and Note 7, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. The new standards significantly changed the County's accounting for pension amounts. As a result of this change in accounting principle, the County was

required to record a prior period adjustment. This prior period adjustment resulted in an increase to the County's beginning net position of \$621,560; an increase to the beginning deferred outflows of \$421,609; and an increase to beginning net pension asset of \$199,951.

9. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 23, 2016, the date the financial statements were available to be issued.

10. CHANGE IN PRESENTATION

During the year, the presentation was changed to accurately reflect the proper nature of certain funds. The following funds were reclassified from the general fund to special revenue funds:

- Supplemental guardianship fund
- County child abuse prevention fund
- Appellate justice fund
- Technology resources fund

The following funds were reclassified from agency funds to special revenue funds:

- Juvenile probation local fund
- Soil conservation district fund

During the year, presentation was changed to accurately describe the nature of certain borrowings. In prior years, certain capital assets purchased with note proceeds were reflected as capital leases. The terms of the borrowings did not meet the criteria of a capital lease. The terms of the borrowings are more accurately presented as a note payable and have been included as notes in the long-term liability section.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	2014
Total Pension Liability	
Service cost	\$ 782,515
Interest on total pension liability	1,820,701
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	(51,704)
Benefit payments/refunds of contributions	(1,220,569)
Net change in total pension liability	1,330,943
Total pension liability, beginning	22,692,554
Total pension liability, ending (a)	\$ 24,023,497
Fiduciary Net Position	
Employer contributions	\$ 552,153
Member contributions	453,117
Investment income net of investment expenses	1,557,818
Benefit payments/refunds of contributions	(1,220,569)
Administrative expenses	(18,133)
Other	(1,752)
Net change in fiduciary net position	1,322,634
Fiduciary net position, beginning	22,892,506
Fiduciary net position, ending (b)	\$ 24,215,140
Net pension liability/(asset), ending = (a) - (b)	\$ (191,643)
Fiduciary net position as a % of total pension liability	100.80%
Pensionable covered payroll	\$ 6,473,107
Net pension liability as a % of covered payroll	-2.96%

Notes to the Schedule:

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

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

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	Not available	Not available	Not available	Not available	Not available
2006	\$ 355,175	\$ 355,175	\$ -	\$ 5,095,769	7.0%
2007	408,373	408,373	-	5,474,169	7.5%
2008	411,442	461,442	(50,000)	5,911,519	7.8%
2009	404,150	404,150	-	6,160,819	6.6%
2010	475,788	475,788	-	6,318,569	7.5%
2011	482,227	482,227	-	6,378,696	7.6%
2012	487,185	487,185	-	6,230,005	7.8%
2013	493,145	493,145	-	6,156,507	8.0%
2014	552,153	552,153	-	6,473,107	8.5%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two year prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. Annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.10%
Retirement Age	Experience-based table of rates that are specific to the County's plan of benefits.
Turnover	Rates vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.
Mortality	<p>Depositing members - RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.</p> <p>Service retirees, beneficiaries and non-depositing members - RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.</p> <p>Disabled retirees - RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.</p>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes:				
Taxes - current	\$ 7,661,298	\$ 7,661,298	7,504,432	\$ (156,866)
Taxes - delinquent	200,000	200,000	163,424	(36,576)
Penalty and collection fees	140,000	140,000	147,665	7,665
Total Property Taxes	<u>8,001,298</u>	<u>8,001,298</u>	<u>7,815,521</u>	<u>(185,777)</u>
Fees of Office:				
County judge	8,000	8,000	27,220	19,220
County sheriff	61,500	61,500	72,759	11,259
County clerk fees	308,000	308,000	374,404	66,404
County library fees	7,150	7,150	7,129	(21)
Tyler eagle internet	9,400	9,400	12,916	3,516
Tax assessor-collector	349,600	349,600	432,111	82,511
Child safety-tax office	54,000	54,000	77,873	23,873
Capital credits refund	30,984	30,984	93,091	62,107
District attorney	16,500	16,500	24,978	8,478
District clerk	111,500	111,500	129,658	18,158
Justice of the peace	237,125	237,125	185,086	(52,039)
Constable	30,600	30,600	19,950	(10,650)
Probation	140	140	105	(35)
Jury fees	8,610	8,610	11,936	3,326
District court	173,500	173,500	192,004	18,504
Justice court	366,225	366,225	307,858	(58,367)
Legal fees/reimbursements	145,500	145,500	144,003	(1,497)
Citizens collection st	59,450	59,450	54,257	(5,193)
Inmate telephone revenue	57,537	57,537	27,020	(30,517)
Total Fees	<u>2,035,321</u>	<u>2,035,321</u>	<u>2,194,358</u>	<u>159,037</u>
Intergovernmental Revenues:				
Intergovernmental revenues	205,272	205,272	248,012	42,740
Total Intergovernmental Revenues	<u>205,272</u>	<u>205,272</u>	<u>248,012</u>	<u>42,740</u>
Investment Earnings:				
Depository interest	375	375	3,026	2,651
Total Investment Earnings	<u>375</u>	<u>375</u>	<u>3,026</u>	<u>2,651</u>
Other Revenues and Fees:				
Recycling	1,555	2,429	-	(2,429)
Rentals	7,200	7,200	7,200	-
Party reimbursement	1,500	1,500	-	(1,500)
Lease - adult probation	2,000	2,000	1,786	(214)
Tax sale excess proceeds	-	-	6,114	6,114
Sale of property	1,392	2,754	-	(2,754)
Other revenues	91,092	126,435	147,103	20,668
Voter equipment rental	1,100	1,100	-	(1,100)
Open records request	-	-	392	392
Grant proceeds	500	1,000	1,000	-
Total Other Revenues and Fees	<u>106,339</u>	<u>144,418</u>	<u>163,595</u>	<u>19,177</u>
Total Revenues	<u>\$ 10,348,605</u>	<u>\$ 10,386,684</u>	<u>\$ 10,424,512</u>	<u>\$ 37,828</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXPENDITURES	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
General Government:				
County judge	\$ 145,475	\$ 139,975	134,759	\$ 5,216
Commissioners' court	350	350	262	88
County clerk	293,816	298,570	296,104	2,466
Elections	67,199	64,145	52,651	11,494
Non-department	401,496	397,522	445,993	(48,471)
Contracts	632,106	618,044	592,174	25,870
Veterans	6,002	6,002	6,043	(41)
Collection department	74,444	74,344	70,668	3,676
County auditor	242,111	217,111	201,889	15,222
County treasurer	122,412	115,531	112,128	3,403
Tax collector	286,989	287,989	278,337	9,652
Data processing	396,706	410,296	424,448	(14,152)
Public buildings	204,867	203,250	201,455	1,795
Total General Government	2,873,973	2,833,129	2,816,911	16,218
Judicial System:				
County court	14,750	10,681	8,006	2,675
Juvenile county court	7,500	7,500	6,101	1,399
District courts	428,638	498,038	442,177	55,861
Adult district court	268,300	337,300	311,508	25,792
Juvenile district court	3,500	3,500	-	3,500
County court at law	375,268	363,868	346,145	17,723
District clerk	243,428	219,428	217,845	1,583
Justices of the peace	496,582	496,582	449,952	46,630
District attorney	551,706	576,706	508,080	68,626
Capital murder	-	-	54,360	(54,360)
Indigent defense	-	-	23,237	(23,237)
Total Judicial System	2,389,672	2,513,603	2,367,411	146,192
Public Safety:				
Constables	235,689	237,187	223,525	13,662
Adult probation	1,600	1,600	141	1,459
Sheriffs department	2,094,061	2,094,061	2,148,430	(54,369)
Jail	1,925,262	1,982,274	2,423,243	(440,969)
Department of public safety	37,179	37,179	37,091	88
Total Public Safety	4,293,791	4,352,301	4,832,430	(480,129)
Conservation				
Ext. service	78,758	78,758	78,263	495
Total Conservation	\$ 78,758	\$ 78,758	\$ 78,263	\$ 495

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXPENDITURES (Cont'd)	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Culture and Recreation				
County free library	\$ 109,560	\$ 109,560	99,653	\$ 9,907
Office	17,975	18,929	18,856	73
Total Culture and Recreation	<u>127,535</u>	<u>128,489</u>	<u>118,509</u>	<u>9,980</u>
Highways and Bridges				
Support	38,773	38,773	38,087	686
Total Highways and Bridges	<u>38,773</u>	<u>38,773</u>	<u>38,087</u>	<u>686</u>
Sanitation				
Collection	61,200	61,200	59,281	1,919
Total Sanitation	<u>61,200</u>	<u>61,200</u>	<u>59,281</u>	<u>1,919</u>
Indigent Health Fund				
Indigent health	15,600	15,600	14,744	856
Office	141,005	141,005	128,079	12,926
Total Indigent Health	<u>156,605</u>	<u>156,605</u>	<u>142,823</u>	<u>13,782</u>
Capital Outlay:				
Data processing	150,000	151,206	151,206	-
Public buildings	3,000	9,817	9,817	-
Constable pct. 1	-	602	559	43
Constable pct. 4	-	23,000	23,020	(20)
Jail	26,033	25,562	7,228	18,334
Sheriff department	125,000	160,335	194,443	(34,108)
Total Capital Outlay	<u>\$ 304,033</u>	<u>\$ 370,522</u>	<u>\$ 386,273</u>	<u>\$ (15,751)</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES (cont'd.)				
Debt Service:				
Principal	\$ 113,178	\$ 86,763	\$ 133,124	\$ (46,361)
Interest	7,339	8,745	12,074	(3,329)
Total Debt Service	<u>120,517</u>	<u>95,508</u>	<u>145,198</u>	<u>(49,690)</u>
Total Expenditures	<u>10,444,857</u>	<u>10,628,888</u>	<u>10,985,186</u>	<u>(356,298)</u>
Excess of Revenues Over Expenditures	(96,252)	(242,204)	(560,674)	(318,470)
OTHER FINANCING SOURCES (USES)				
Note proceeds	275,000	275,000	275,000	-
Insurance proceeds	12,500	46,927	34,427	(12,500)
Sale of capital assets	82,000	82,000	41,458	(40,542)
Transfers in	74,000	44,000	74,000	30,000
Transfers out	<u>(193,000)</u>	<u>(347,075)</u>	<u>(317,075)</u>	<u>30,000</u>
Total Other Financing Sources (Uses)	<u>250,500</u>	<u>100,852</u>	<u>107,810</u>	<u>6,958</u>
NET CHANGE IN FUND BALANCE	154,248	(141,352)	(452,864)	(311,512)
FUND BALANCE, SEPTEMBER 30, 2014	<u>165,390</u>	<u>165,390</u>	<u>165,390</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 319,638</u>	<u>\$ 24,038</u>	<u>\$ (287,474)</u>	<u>\$ (311,512)</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 1
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Tax Revenue				
Taxes - current	\$ 470,086	\$ 470,086	465,015	\$ (5,071)
Taxes - delinquent	13,500	13,500	9,677	(3,823)
Penalty/interest	9,000	9,000	8,786	(214)
Total Tax Revenue	<u>492,586</u>	<u>492,586</u>	<u>483,478</u>	<u>(9,108)</u>
Intergovernmental Revenues				
Intergovernmental Revenues	-	-	127,690	127,690
Total Intergovernmental Revenues	<u>-</u>	<u>-</u>	<u>127,690</u>	<u>127,690</u>
Permits, Licenses and Fees				
Other fees	245,000	245,000	282,546	37,546
Total Permits, Licenses and Fees	<u>245,000</u>	<u>245,000</u>	<u>282,546</u>	<u>37,546</u>
Investment Earning				
Depository interest	50	50	231	181
Total Investment Earnings	<u>50</u>	<u>50</u>	<u>231</u>	<u>181</u>
Total Revenues	<u>737,636</u>	<u>737,636</u>	<u>893,945</u>	<u>156,309</u>
EXPENDITURES				
Current:				
Highways and bridges	779,042	779,042	669,211	109,831
Total Highways and Bridges	<u>779,042</u>	<u>779,042</u>	<u>669,211</u>	<u>109,831</u>
Capital Outlay:				
Equipment	16,500	16,500	14,649	1,851
Total Capital Outlay	<u>16,500</u>	<u>16,500</u>	<u>14,649</u>	<u>1,851</u>
Debt Service:				
Principal payments	13,673	13,673	14,191	(518)
Interest and fiscal charges	1,522	1,522	1,005	517
Total Debt Service	<u>15,195</u>	<u>15,195</u>	<u>15,196</u>	<u>(1)</u>
Total Expenditures	<u>810,737</u>	<u>810,737</u>	<u>699,056</u>	<u>111,681</u>
Excess of Revenues Over (Under) Expenditures	(73,101)	(73,101)	194,889	267,990
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,500)	(13,500)	(13,500)	-
Total Other Financing Sources (Uses)	<u>(13,500)</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(86,601)	(86,601)	181,389	267,990
FUND BALANCE, SEPTEMBER 30, 2014	243,874	243,874	243,874	-
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 157,273</u>	<u>\$ 157,273</u>	<u>\$ 425,263</u>	<u>\$ 267,990</u>

VAN ZANDT COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 2
 DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 (UNAUDITED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Tax Revenue				
Taxes - current	\$ 566,276	\$ 566,276	560,167	\$ (6,109)
Taxes - delinquent	16,500	16,500	11,669	(4,831)
Penalty/interest	10,000	10,000	10,584	584
Total Tax Revenue	<u>592,776</u>	<u>592,776</u>	<u>582,420</u>	<u>(10,356)</u>
Intergovernmental Revenues				
Intergovernmental Revenues	-	-	11,270	11,270
Total Intergovernmental Revenues	<u>-</u>	<u>-</u>	<u>11,270</u>	<u>11,270</u>
Permits, Licenses and Fees				
Other fees	292,750	292,750	446,159	153,409
Total Permits, Licenses and Fees	<u>292,750</u>	<u>292,750</u>	<u>446,159</u>	<u>153,409</u>
Investment Earning				
Depository interest	300	300	231	(69)
Total Investment Earnings	<u>300</u>	<u>300</u>	<u>231</u>	<u>(69)</u>
Other Revenue				
Donations	-	1,500	1,500	-
Total Other Revenue	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total Revenues	<u>885,826</u>	<u>887,326</u>	<u>1,041,580</u>	<u>154,254</u>
EXPENDITURES				
Current:				
Highways and bridges	967,723	967,299	865,830	101,469
Total Highways and Bridges	<u>967,723</u>	<u>967,299</u>	<u>865,830</u>	<u>101,469</u>
Capital Outlay:				
Capital outlay	95,500	97,424	73,924	23,500
Total Capital Outlay	<u>95,500</u>	<u>97,424</u>	<u>73,924</u>	<u>23,500</u>
Debt Service:				
Principal payments	32,262	32,262	18,003	14,259
Interest and fiscal charges	3,045	3,045	2,277	768
Total Debt Service	<u>35,307</u>	<u>35,307</u>	<u>20,280</u>	<u>15,027</u>
Total Expenditures	<u>1,098,530</u>	<u>1,100,030</u>	<u>960,034</u>	<u>139,996</u>
Excess of Revenues Over (Under) Expenditures	(212,704)	(212,704)	81,546	294,250
OTHER FINANCING SOURCES (USES)				
Note proceeds	72,000	72,000	73,924	1,924
Sale of Property	5,000	5,000	-	5,000
Transfers out	(8,500)	(8,500)	(8,500)	-
Total Other Financing Sources (Uses)	<u>68,500</u>	<u>68,500</u>	<u>65,424</u>	<u>6,924</u>
NET CHANGE IN FUND BALANCE	(144,204)	(144,204)	146,970	291,174
FUND BALANCE, SEPTEMBER 30, 2014	260,907	260,907	260,907	-
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 116,703</u>	<u>\$ 116,703</u>	<u>\$ 407,877</u>	<u>\$ 291,174</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 3
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 478,185	\$ 478,185	473,025	\$ (5,160)
Taxes - delinquent	14,500	14,500	9,844	(4,656)
Penalty/interest	9,500	9,500	8,937	(563)
Total Tax Revenue	<u>502,185</u>	<u>502,185</u>	<u>491,806</u>	<u>(10,379)</u>
Permits, Licenses and Fees				
Other fees	248,356	268,356	306,348	37,992
Total Permits, Licenses and Fees	<u>248,356</u>	<u>268,356</u>	<u>306,348</u>	<u>37,992</u>
Investment Earning				
Depository interest	28	28	147	119
Total Investment Earnings	<u>28</u>	<u>28</u>	<u>147</u>	<u>119</u>
Other Revenue				
Donations	-	21,800	21,800	-
Other Misc Revenue	-	1,300	-	(1,300)
Total Other Revenue	<u>-</u>	<u>23,100</u>	<u>21,800</u>	<u>(1,300)</u>
Total Revenues	<u>750,569</u>	<u>793,669</u>	<u>820,101</u>	<u>26,432</u>
EXPENDITURES				
Current:				
Highways and bridges	706,846	812,346	767,170	45,176
Total Highways and Bridges	<u>706,846</u>	<u>812,346</u>	<u>767,170</u>	<u>45,176</u>
Capital Outlay:				
Equipment	5,000	5,000	-	5,000
Total Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Debt Service:				
Principal payments	38,231	38,231	39,509	(1,278)
Interest and fiscal charges	2,598	2,598	1,320	1,278
Total Debt Service	<u>40,829</u>	<u>40,829</u>	<u>40,829</u>	<u>-</u>
Total Expenditures	<u>752,675</u>	<u>858,175</u>	<u>807,999</u>	<u>50,176</u>
Excess of Revenues Over (Under) Expenditures	(2,106)	(64,506)	12,102	76,608
OTHER FINANCING SOURCES (USES)				
Sale of property	10,000	10,000	-	(10,000)
Transfers out	(8,500)	(8,500)	(8,500)	-
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>(8,500)</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	(606)	(63,006)	3,602	66,608
FUND BALANCE, SEPTEMBER 30, 2014	100,184	100,184	100,184	-
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 99,578</u>	<u>\$ 37,178</u>	<u>\$ 103,786</u>	<u>\$ 66,608</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 4
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 460,606	\$ 460,606	455,636	\$ (4,970)
Taxes - delinquent	17,500	17,500	9,483	(8,017)
Penalty/interest	11,250	11,250	8,609	(2,641)
Total Tax Revenue	<u>489,356</u>	<u>489,356</u>	<u>473,728</u>	<u>(15,628)</u>
Intergovernmental Revenues				
Intergovernmental Revenues	-	-	39,009	39,009
Total Intergovernmental Revenues	<u>-</u>	<u>-</u>	<u>39,009</u>	<u>39,009</u>
Permits, Licenses and Fees				
Other fees	239,357	239,357	277,014	37,657
Total Permits, Licenses and Fees	<u>239,357</u>	<u>239,357</u>	<u>277,014</u>	<u>37,657</u>
Investment Earning				
Depository interest	90	90	358	268
Total Investment Earnings	<u>90</u>	<u>90</u>	<u>358</u>	<u>268</u>
Other Revenue				
Donations	-	800	1,024	224
Total Other Revenue	<u>-</u>	<u>800</u>	<u>1,024</u>	<u>224</u>
Total Revenues	<u>728,803</u>	<u>729,603</u>	<u>791,133</u>	<u>61,530</u>
EXPENDITURES				
Current:				
Highways and bridges	733,031	712,746	618,332	94,414
Total Highways and Bridges	<u>733,031</u>	<u>712,746</u>	<u>618,332</u>	<u>94,414</u>
Capital Outlay:				
Equipment	70,000	76,085	76,085	-
Total Capital Outlay	<u>70,000</u>	<u>76,085</u>	<u>76,085</u>	<u>-</u>
Total Expenditures	<u>803,031</u>	<u>788,831</u>	<u>694,417</u>	<u>94,414</u>
Excess of Revenues Over (Under) Expenditures	(74,228)	(59,228)	96,716	155,944
OTHER FINANCING SOURCES (USES)				
Sale of property	5,000	5,000	-	(5,000)
Transfers out	(18,500)	(18,500)	(18,500)	-
Total Other Financing Sources (Uses)	<u>(13,500)</u>	<u>(13,500)</u>	<u>(18,500)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	(87,728)	(72,728)	78,216	150,944
FUND BALANCE, SEPTEMBER 30, 2014	428,860	428,860	428,860	-
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 341,132</u>	<u>\$ 356,132</u>	<u>\$ 507,076</u>	<u>\$ 150,944</u>

OTHER SUPPLEMENTARY INFORMATION

VAN ZANDT COUNTY, TEXAS
NOTES TO DETAILED SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2015

Budgetary Information

The Commissioners' Court adopts 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 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.

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>Law Library</u>	<u>Records Management</u>	<u>Building Security</u>	<u>District Attorney Check Collection</u>
ASSETS				
Cash and investments	\$ 48,719	\$ 78,617	\$ -	\$ 109
Accounts receivable	2,470	23,386	2,079	360
Due from other funds	<u>3,010</u>	<u>353,106</u>	<u>1,904</u>	<u>20,692</u>
Total assets	<u>\$ 54,199</u>	<u>\$ 455,109</u>	<u>\$ 3,983</u>	<u>\$ 21,161</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,293	\$ 7,081	\$ -	\$ -
Accrued liabilities	-	255	1,884	-
Unearned revenue	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,293</u>	<u>7,336</u>	<u>1,884</u>	<u>-</u>
Fund balances:				
Restricted				
Court technology and security	-	-	2,099	-
Records management	-	447,773	-	-
Judicial	-	-	-	21,161
Public safety	-	-	-	-
Law library	50,906	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>50,906</u>	<u>447,773</u>	<u>2,099</u>	<u>21,161</u>
Total liabilities and fund balances	<u>\$ 54,199</u>	<u>\$ 455,109</u>	<u>\$ 3,983</u>	<u>\$ 21,161</u>

<u>District Attorney Supplemental</u>	<u>LEOSE</u>	<u>Bullet Proof Vest Grant</u>	<u>Lonestar Library Grant</u>	<u>Justice Court Technology</u>	<u>Chapter 19</u>
\$ 4,538	\$ 1,793	\$ -	\$ -	\$ -	\$ -
-	-	-	-	598	-
<u>21,905</u>	<u>9,998</u>	<u>-</u>	<u>375</u>	<u>13,215</u>	<u>-</u>
<u>\$ 26,443</u>	<u>\$ 11,791</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 13,813</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,132	-	-	-	-	-
-	-	-	-	-	-
-	-	5,430	-	-	2,887
<u>1,132</u>	<u>-</u>	<u>5,430</u>	<u>-</u>	<u>-</u>	<u>2,887</u>
-	-	-	-	13,813	-
-	-	-	-	-	-
25,311	-	-	-	-	-
-	11,791	(5,430)	-	-	-
-	-	-	375	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(2,887)
<u>25,311</u>	<u>11,791</u>	<u>(5,430)</u>	<u>375</u>	<u>13,813</u>	<u>(2,887)</u>
<u>\$ 26,443</u>	<u>\$ 11,791</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 13,813</u>	<u>\$ -</u>

**VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<u>Justice Court Building Security</u>	<u>County Road Funds</u>	<u>Asset Forfeiture</u>	<u>Abatement Officer</u>
ASSETS				
Cash and investments	\$ -	\$ 12,000	\$ 99,081	\$ -
Accounts receivable	144	-	-	11,525
Due from other funds	<u>6,719</u>	<u>-</u>	<u>29,110</u>	<u>20,801</u>
Total assets	<u>\$ 6,863</u>	<u>\$ 12,000</u>	<u>\$ 128,191</u>	<u>\$ 32,326</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 254	\$ 2,906
Accrued liabilities	-	-	77	3,886
Unearned revenue	-	-	-	-
Due to other funds	<u>-</u>	<u>6,945</u>	<u>487</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>6,945</u>	<u>818</u>	<u>6,792</u>
Fund balances:				
Restricted				
Court technology and security	6,863	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	5,055	127,373	25,534
Law library	-	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>6,863</u>	<u>5,055</u>	<u>127,373</u>	<u>25,534</u>
Total liabilities and fund balances	<u>\$ 6,863</u>	<u>\$ 12,000</u>	<u>\$ 128,191</u>	<u>\$ 32,326</u>

<u>Homeland Security</u>	<u>VOICES Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Project Roads Precinct #1</u>	<u>Capital Project Roads Precinct #2</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	11,173	-	-	-	-
-	-	203	7,863	172	1
<u>-</u>	<u>11,173</u>	<u>203</u>	<u>7,863</u>	<u>172</u>	<u>1</u>
\$ -	\$ 11,173	\$ 203	\$ 7,863	\$ 172	\$ 1
<u>-</u>	<u>11,173</u>	<u>203</u>	<u>7,863</u>	<u>172</u>	<u>1</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,003	14,720	-	-	-	-
<u>3,003</u>	<u>14,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,003)	-	203	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	172	1
-	-	-	7,863	-	-
-	-	-	-	-	-
-	(3,547)	-	-	-	-
<u>(3,003)</u>	<u>(3,547)</u>	<u>203</u>	<u>7,863</u>	<u>172</u>	<u>1</u>
\$ -	\$ 11,173	\$ 203	\$ 7,863	\$ 172	\$ 1
<u>-</u>	<u>11,173</u>	<u>203</u>	<u>7,863</u>	<u>172</u>	<u>1</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Capital Project Roads Precinct #3	Supplemental Guardianship	County Child Abuse	Appellate Justice
ASSETS				
Cash and investments	\$ -	\$ 11,012	\$ 2	\$ -
Accounts receivable	-	340	81	355
Due from other funds	-	10,126	3,745	1,075
	<u>-</u>	<u>10,126</u>	<u>3,745</u>	<u>1,075</u>
Total assets	<u>\$ -</u>	<u>\$ 21,478</u>	<u>\$ 3,828</u>	<u>\$ 1,430</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 678	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>678</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted				
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	20,800	3,828	1,430
Public safety	-	-	-	-
Law library	-	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>20,800</u>	<u>3,828</u>	<u>1,430</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 21,478</u>	<u>\$ 3,828</u>	<u>\$ 1,430</u>

<u>Technology Resources</u>	<u>Juvenile Probation</u>	<u>Soil Conservation District</u>	<u>ETCOG Residential Grant</u>
\$ -	\$ -	\$ 20,048	\$ -
-	69,498	-	3,701
<u>1</u>	<u>-</u>	<u>3,242</u>	<u>-</u>
<u>\$ 1</u>	<u>\$ 69,498</u>	<u>\$ 23,290</u>	<u>\$ 3,701</u>
\$ -	\$ 59,397	\$ -	\$ -
-	18,576	-	-
-	-	-	-
<u>-</u>	<u>165,098</u>	<u>-</u>	<u>3,701</u>
<u>-</u>	<u>243,071</u>	<u>-</u>	<u>3,701</u>
1	-	-	-
-	-	-	-
-	-	-	-
-	(173,573)	-	-
-	-	-	-
-	-	23,290	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1</u>	<u>(173,573)</u>	<u>23,290</u>	<u>-</u>
<u>\$ 1</u>	<u>\$ 69,498</u>	<u>\$ 23,290</u>	<u>\$ 3,701</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>Ben Wheeler Water Supply Grant</u>	<u>Little Hope Water Supply Grant</u>	<u>Golden Water Supply Grant</u>	<u>Victim Coordinator Grant</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable	14,375	11,889	10,300	11,748
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 14,375</u>	<u>\$ 11,889</u>	<u>\$ 10,300</u>	<u>\$ 11,748</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,375	\$ 11,889	\$ 10,300	\$ -
Accrued liabilities	-	-	-	2,959
Unearned revenue	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,607</u>
Total liabilities	<u>14,375</u>	<u>11,889</u>	<u>10,300</u>	<u>13,566</u>
Fund balances:				
Restricted				
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	(1,818)
Public safety	-	-	-	-
Law library	-	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,818)</u>
Total liabilities and fund balances	<u>\$ 14,375</u>	<u>\$ 11,889</u>	<u>\$ 10,300</u>	<u>\$ 11,748</u>

<u>Capital Credit Economic Development</u>	<u>Van Tornado Assistance</u>	<u>Contribution Relief Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 16,083	\$ 292,002
-	-	-	174,022
<u>124,075</u>	<u>-</u>	<u>-</u>	<u>631,338</u>
<u>\$ 124,075</u>	<u>\$ -</u>	<u>\$ 16,083</u>	<u>\$ 1,097,362</u>
\$ -	\$ -	\$ -	\$ 110,173
-	-	-	28,769
-	-	-	-
<u>-</u>	<u>71,433</u>	<u>-</u>	<u>284,311</u>
<u>-</u>	<u>71,433</u>	<u>-</u>	<u>423,253</u>
-	-	-	22,776
-	-	-	447,773
-	-	-	70,712
-	-	-	(12,050)
-	-	-	51,281
-	-	-	23,290
124,075	-	-	124,075
-	-	-	173
-	-	-	7,863
-	(71,433)	16,083	(55,350)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,434)</u>
<u>124,075</u>	<u>(71,433)</u>	<u>16,083</u>	<u>674,109</u>
<u>\$ 124,075</u>	<u>\$ -</u>	<u>\$ 16,083</u>	<u>\$ 1,097,362</u>

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

	Law Library	Records Management	Building Security	District Attorney Check Collection
Revenues				
Permits, licenses and fees	\$ 28,494	\$ 265,385	\$ 25,222	\$ 4,666
Intergovernmental	-	-	-	-
Investment earnings	24	115	-	4
Other	-	-	-	-
Total revenues	28,518	265,500	25,222	4,670
Expenditures				
Current:				
General government	-	113,953	49,280	-
Judicial	32,192	-	-	-
Public safety	-	-	-	-
Highways and bridges	-	-	-	-
Conservation	-	-	-	-
Capital outlay	110	-	-	-
Total expenditures	32,302	113,953	49,280	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,784)	151,547	(24,058)	4,670
Other Financing Sources (Uses)				
Transfers in	-	-	35,000	-
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	-	-	35,000	-
Net Change in Fund Balances	(3,784)	151,547	10,942	4,670
Fund Balances, Beginning	54,690	296,226	(8,843)	16,491
Fund Balances, Ending	\$ 50,906	\$ 447,773	\$ 2,099	\$ 21,161

<u>District Attorney Supplemental</u>	<u>LEOSE</u>	<u>Bullet Proof Vest Grant</u>	<u>Lonestar Library Grant</u>	<u>Justice Court Technology</u>	<u>Chapter 19</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,003	\$ -
22,500	6,739	-	-	-	-
12	-	-	-	-	-
-	-	-	218	-	-
<u>22,512</u>	<u>6,739</u>	<u>-</u>	<u>218</u>	<u>10,003</u>	<u>-</u>
-	-	-	-	-	-
34,467	-	-	-	-	-
-	3,721	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>34,467</u>	<u>3,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(11,955)	3,018	-	218	10,003	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(11,955)	3,018	-	218	10,003	-
<u>37,266</u>	<u>8,773</u>	<u>(5,430)</u>	<u>157</u>	<u>3,810</u>	<u>(2,887)</u>
\$ <u>25,311</u>	\$ <u>11,791</u>	\$ <u>(5,430)</u>	\$ <u>375</u>	\$ <u>13,813</u>	\$ <u>(2,887)</u>

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

	<u>Justice Court Building Security</u>	<u>County Road Funds</u>	<u>Asset Forfeiture</u>	<u>Abatement Officer</u>
Revenues				
Permits, licenses and fees	\$ 2,340	\$ -	\$ 14,591	\$ 110,870
Intergovernmental	-	-	-	32,000
Investment earnings	-	-	60	-
Other	-	-	-	-
Total revenues	<u>2,340</u>	<u>-</u>	<u>14,651</u>	<u>142,870</u>
Expenditures				
Current:				
General government	1,404	-	-	-
Judicial	-	-	-	-
Public safety	-	-	33,471	115,682
Highways and bridges	-	8,096	-	-
Conservation	-	-	-	-
Capital outlay	-	-	6,000	10,500
Total expenditures	<u>1,404</u>	<u>8,096</u>	<u>39,471</u>	<u>126,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	936	(8,096)	(24,820)	16,688
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(25,000)
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Net Change in Fund Balances	936	(8,096)	(24,820)	(8,312)
Fund Balances, Beginning	<u>5,927</u>	<u>13,151</u>	<u>152,193</u>	<u>33,846</u>
Fund Balances, Ending	<u>\$ 6,863</u>	<u>\$ 5,055</u>	<u>\$ 127,373</u>	<u>\$ 25,534</u>

<u>Homeland Security</u>	<u>Voices Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Project Roads Precinct #1</u>	<u>Capital Project Roads Precinct #2</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	43,417	-	-	-	-
-	-	-	-	-	-
-	-	-	1,850	-	-
<u>-</u>	<u>43,417</u>	<u>-</u>	<u>1,850</u>	<u>-</u>	<u>-</u>
-	-	-	836	-	-
-	-	-	-	-	-
-	44,227	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>44,227</u>	<u>-</u>	<u>836</u>	<u>-</u>	<u>-</u>
-	(810)	-	1,014	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(810)	-	1,014	-	-
<u>(3,003)</u>	<u>(2,737)</u>	<u>203</u>	<u>6,849</u>	<u>172</u>	<u>1</u>
\$ <u><u>(3,003)</u></u>	\$ <u><u>(3,547)</u></u>	\$ <u><u>203</u></u>	\$ <u><u>7,863</u></u>	\$ <u><u>172</u></u>	\$ <u><u>1</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, 2015

	<u>Capital Project Roads Precinct #3</u>	<u>Supplemental Guardianship</u>	<u>County Child Abuse</u>	<u>Appellate Justice</u>
Revenues				
Permits, licenses and fees	\$ -	\$ 4,360	\$ 948	\$ 1,530
Intergovernmental	-	-	-	-
Investment earnings	-	5	3	-
Other	-	-	-	2,510
Total revenues	<u>-</u>	<u>4,365</u>	<u>951</u>	<u>4,040</u>
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	858	-	3,835
Public safety	-	-	-	-
Highways and bridges	3,219	-	-	-
Conservation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>3,219</u>	<u>858</u>	<u>-</u>	<u>3,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,219)	3,507	951	205
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(3,219)	3,507	951	205
Fund Balances, Beginning	<u>3,219</u>	<u>17,293</u>	<u>2,877</u>	<u>1,225</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 20,800</u>	<u>\$ 3,828</u>	<u>\$ 1,430</u>

<u>Technology Resources</u>	<u>Juvenile Probation</u>	<u>Soil Conservation District</u>	<u>ETCOG Residential Grant</u>
\$ -	\$ 2,795	\$ -	\$ -
-	157,361	-	7,401
-	-	10	-
-	2,373	-	-
<u>-</u>	<u>162,529</u>	<u>10</u>	<u>7,401</u>
-	-	-	-
-	-	-	-
-	427,325	-	7,401
-	-	-	-
-	-	3,000	-
-	-	-	-
<u>-</u>	<u>427,325</u>	<u>3,000</u>	<u>7,401</u>
-	(264,796)	(2,990)	-
-	155,000	3,000	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>155,000</u>	<u>3,000</u>	<u>-</u>
-	(109,796)	10	-
<u>1</u>	<u>(63,777)</u>	<u>23,280</u>	<u>-</u>
<u>\$ 1</u>	<u>\$ (173,573)</u>	<u>\$ 23,290</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, 2015

	<u>Ben Wheeler Water Supply Grant</u>	<u>Little Hope Water Supply Grant</u>	<u>Golden Water Supply Grant</u>	<u>Victim Coordinator Grant</u>
Revenues				
Permits, licenses and fees	\$ -	\$ -	\$ -	\$ -
Intergovernmental	182,150	73,327	124,402	38,064
Investment earnings	-	-	-	-
Other	130,927	-	-	-
Total revenues	<u>313,077</u>	<u>73,327</u>	<u>124,402</u>	<u>38,064</u>
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	-	-	39,882
Public safety	-	-	-	-
Highways and bridges	-	-	-	-
Conservation	-	-	-	-
Capital outlay	313,077	73,327	124,402	-
Total expenditures	<u>313,077</u>	<u>73,327</u>	<u>124,402</u>	<u>39,882</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(1,818)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	(1,818)
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,818)</u>

<u>Capital Credit Economic Development</u>	<u>Van Tornado Assistance</u>	<u>Contribution Relief Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 471,204
-	-	-	687,361
-	-	-	233
-	2,000	-	139,878
<u>-</u>	<u>2,000</u>	<u>-</u>	<u>1,298,676</u>
-	-	-	165,473
-	-	-	111,234
-	73,433	-	705,260
-	-	-	11,315
-	-	-	3,000
-	-	-	527,416
<u>-</u>	<u>73,433</u>	<u>-</u>	<u>1,523,698</u>
-	(71,433)	-	(225,022)
124,075	-	-	317,075
-	-	-	(25,000)
-	-	-	-
<u>124,075</u>	<u>-</u>	<u>-</u>	<u>292,075</u>
124,075	(71,433)	-	67,053
-	-	16,083	607,056
<u>\$ 124,075</u>	<u>\$ (71,433)</u>	<u>\$ 16,083</u>	<u>\$ 674,109</u>

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, 2015

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 1,109,775	\$ 1,109,775	1,325,271	\$ 215,496
Taxes - delinquent	27,500	27,500	29,849	2,349
Penalty/interest	18,500	18,500	27,423	8,923
Other	-	-	9,675	9,675
Total Tax Revenue	<u>1,155,775</u>	<u>1,155,775</u>	<u>1,392,218</u>	<u>236,443</u>
Investment Earning				
Depository interest	250	250	1,063	813
Total Investment Earnings	<u>250</u>	<u>250</u>	<u>1,063</u>	<u>813</u>
Total Revenues	<u>1,156,025</u>	<u>1,156,025</u>	<u>1,393,281</u>	<u>237,256</u>
EXPENDITURES				
Debt Service:				
Principal payments	884,000	884,000	910,000	(26,000)
Interest and fiscal charges	282,154	282,154	240,157	41,997
Debt Service Fees	300	300	360	(60)
Total Debt Service	<u>1,166,454</u>	<u>1,166,454</u>	<u>1,150,517</u>	<u>15,937</u>
Total Expenditures	<u>1,166,454</u>	<u>1,166,454</u>	<u>1,150,517</u>	<u>15,937</u>
Excess of Revenues Over (Under) Expenditures	(10,429)	(10,429)	242,764	253,193
FUND BALANCE, SEPTEMBER 30, 2014	<u>1,065,332</u>	<u>1,065,332</u>	<u>1,065,332</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2015	<u>\$ 1,054,903</u>	<u>\$ 1,054,903</u>	<u>\$ 1,308,096</u>	<u>\$ 253,193</u>

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**VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	District Clerk	County Clerk	Sheriff	District Attorney	CSCD
ASSETS					
Cash and cash equivalents	\$ 1,499,578	\$ 827,825	\$ 70,030	\$ 108,858	\$ 645,874
Due from county and other agencies	-	-	-	-	204,367
 Total assets	<u>\$ 1,499,578</u>	<u>\$ 827,825</u>	<u>\$ 70,030</u>	<u>\$ 108,858</u>	<u>\$ 850,241</u>
 LIABILITIES					
Due to other agencies and individuals	<u>\$ 1,499,578</u>	<u>\$ 827,825</u>	<u>\$ 70,030</u>	<u>\$ 108,858</u>	<u>\$ 850,241</u>
 Total liabilities	<u>\$ 1,499,578</u>	<u>\$ 827,825</u>	<u>\$ 70,030</u>	<u>\$ 108,858</u>	<u>\$ 850,241</u>

**VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Juvenile Probation</u>	<u>Tax Assessor / Collector</u>	<u>Justice of the Peace</u>	<u>Constable</u>	<u>Veteran's Memorial Wall</u>	<u>Total Agency Funds</u>
\$ 64,060	\$ 1,248,557	\$ 44,997	\$ 3,083	\$ -	\$ 4,512,862
52,709	-	-	-	1	257,077
<u>\$ 116,769</u>	<u>\$ 1,248,557</u>	<u>\$ 44,997</u>	<u>\$ 3,083</u>	<u>\$ 1</u>	<u>\$ 4,769,939</u>
<u>\$ 116,769</u>	<u>\$ 1,248,557</u>	<u>\$ 44,997</u>	<u>\$ 3,083</u>	<u>\$ 1</u>	<u>\$ 4,769,939</u>
<u>\$ 116,769</u>	<u>\$ 1,248,557</u>	<u>\$ 44,997</u>	<u>\$ 3,083</u>	<u>\$ 1</u>	<u>\$ 4,769,939</u>

SINGLE AUDIT SECTION

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Pass Through Disbursements and Expenditures
U. S. Department of Justice			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0102	\$ 1,676
Passed Through Office of the Governor:			
Crime Victim Assistance	16.575	283071	<u>38,064</u>
Total U. S. Department of Justice			<u>39,740</u>
U. S. Department of Homeland Security			
Passed Through Texas Department of Public Safety - Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-TX-4223-PW-00333(0)	7,667
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-TX-4223-PW-01596(0)	50,279
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-TX-4223-PW-00173(155)	<u>120,023</u>
Total U. S. Department of Homeland Security			<u>177,969</u>
U.S. Department of Housing and Urban Development			
Passed Through Texas Department of Agriculture:			
Community Development Block Grant	14.228	713489	182,150
Community Development Block Grant	14.228	713026	73,327
Community Development Block Grant	14.228	7214056	<u>124,402</u>
Total U.S. Department of Housing and Urban Development			<u>379,879</u>
U.S. Department of Agriculture			
Passed Through Texas Department of Agriculture			
National School Lunch Program	10.555	--	<u>12,247</u>
Total U.S. Department of Agriculture			<u>12,247</u>
General Services Administration			
Passed Through Texas Facilities Commission			
Donation of Federal Surplus Personal Property	39.003	25493	<u>1,528</u>
Total General Services Administration			<u>1,528</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 611,363</u>

VAN ZANDT COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The expenditures included in the schedule are reported for the County's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the County for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The County has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**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**

Honorable County Judge and Commissioners' Court
Van Zandt County, 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, 2015, 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 September 23, 2016.

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 District'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: 2015-002, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010 and 2015-012.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2015-003, 2015-011 and 2015-013.

Van Zandt County, Texas' Response to Findings

Van Zandt County, Texas' response to the findings identified in our audit is 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Tyler, Texas
September 23, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable County Judge and Commissioners' Court
Van Zandt County, 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Van Zandt County, Texas' major federal programs for the year ended September 30, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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.

Basis for Qualified Opinion on Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, Van Zandt County, Texas did not comply with requirements regarding CFDA 14.228 Community Development Block Grant as described in finding number 2015-001 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Van Zandt County, Texas to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, 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 its major federal program for the year ended September 30, 2015.

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 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 OMB Circular A-133, 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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Van Zandt County, Texas' response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants

Tyler, Texas
September 23, 2016

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial Statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors’ report issued on compliance for major programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: yes X no

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

Section II – Financial Statement Findings

Finding 2015-002 – 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.

Effect: Cash intended for specific purposes was borrowed inappropriately, as the cash can only be used for its intended purpose.

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 currently, not 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 Office is in agreement that separate checking accounts will need to be maintained for Special Revenue Funds to prevent unauthorized borrowing.

Finding 2015-003 – Fee Office Deposit of Funds with County Treasurer

Criteria: According to Texas Local Government Code, Chapter 113, Subchapter B, Section 113.022, Time for Making Deposits, a county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. In all cases, the treasurer shall deposit the money on or before the seventh business day after the date the treasurer receives the money.

Condition and Context: The County's fee offices and departments are depositing funds with the treasurer monthly. In some cases, the County official took longer than a month to deposit funds with the treasurer.

Cause: Failure to follow Texas Local Government Code with respect to depositing of funds with the treasurer.

Effect: The County is not complying with this section of the Texas Local Government Code. Also, the County is missing the opportunity to utilize the funds to meet the County's obligations and improve cash flow.

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

Section II – Financial Statement Findings (cont)

Recommendation: County fee offices and other departments should evaluate and make changes to processes in order to comply with the Texas Local Government Code with regards to time for making deposits with the treasurer.

Responsible Official's Response: The County Auditor's Office agrees with the recommendation. In order to implement new procedures as to the deposit of funds from the County's fee offices we will need to coordinate with the Treasurer's Office and Commissioner's Court to address staffing and job commitment. Suggest we phase the process in and begin with District and County Clerk Offices making daily deposits to the Treasurer's Office.

Finding 2015-004 – Accounts 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 errors 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 debits 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 to a minimum. If improvement 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.

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

Section II – Financial Statement Findings (cont)

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.

Finding 2015-005 – Segregation of Duties – County Treasurer's Office

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

Condition and Context: The County Treasurer's assistant has control over too many incompatible functions including receiving mail, receipting money, access to check stock, preparing checks, authorized signer on banks accounts and access to undeposited funds.

Cause: Lack of proper controls and small office size

Effect: Increased fraud risk.

Recommendation: Duties should be split with the County Treasurer or the additional assistant position should be filled to assign some of the duties. Access to check stock and undeposited funds should be limited.

Responsible Official's Response: Staffing is an issue in the Treasurer's Office. The Treasurer's Office handles Human Resources, Accounts Payable and Receipting. The Treasurer opens the mail and receipts all money. The assistant Treasurer does not perform these duties. The Assistant Treasurer is currently an authorized signer on checking accounts as the Treasurer is away at times. However, we are recommending that the Assistant Treasurer be removed as an authorized signer on all County Checking Accounts. A daily deposit should be made as money should not be in the Treasurer's safe for more than one evening/day.

Finding 2015-006 – Segregation of Duties – County Clerk'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 County Clerk handles deposits, disbursement and reconciling of the bank statement.

Cause: Lack of proper controls and small office size.

Effect: Increased fraud risk.

Recommendation: Duties should be split amongst the County Clerk and the employees in the office to provide improved segregation.

Responsible Official's Response: The County Clerk will prepare the daily deposit. In order to check the deposit she has prepared a Summary Sheet of the previous day's work. The Summary Sheet reflects each

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Section II – Financial Statement Findings (cont)

clerk's daily totals for cash and checks that will be deposited at the bank. The cash and check totals from the Summary Sheet are compared to the daily deposit for accuracy. The County Clerk and, a clerk verifying the deposit total, will compare the deposit slip to the Summary Sheet and each will sign the Summary Sheet acknowledging the deposit amount reconciles to the Summary Sheet Cash and Check total. A third party, other than the County Clerk or the Clerk verifying the deposit slip amount and Summary Sheet total, will then make the deposit at the bank.

Finding 2015-007 – Segregation of Duties – District Attorney'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 receiving and opening the mail, issuing receipts, preparing cash disbursements and reconciling the bank statements. The employee also has access to blank check stock and is an authorized signer on the bank accounts.

Cause: Lack of proper controls and small office size.

Effect: Increased fraud risk.

Recommendation: Mail should be received by another employee, who prepares a list of money received before giving it to the employee responsible for receipting. This list should then be compared to the receipt to ensure agreement. The other incompatible duties should be divided amongst different employees so that one employee is not handling all of them. For example, the employee responsible for preparing checks should not be responsible for bank reconciliations, as altered checks could be covered up by an individual having both these duties. The duties being divided amongst the other employees would not be their primary responsibility at the office and would not consume a significant amount of time.

Responsible Official's Response: While the stated fraud risk is acknowledged, the institution of the recommendation is not feasible due to limited human resources. The employee responsible for the receiving and opening the mail, issuing receipts, preparing cash disbursements and reconciling the bank statements is also responsible for reception services, theft by check services, bail bond forfeiture services, and document scanning. The District Attorney's office is not equipped with additional personnel capable of assuming the "incompatible duties" while also fulfilling their primary responsibilities within their scope of employment.

The District Attorney disagrees with the statement regarding lack of proper control. The employee who has access to blank check stock cannot negotiate a check without two (2) authorized signatories executing the check. The District Attorney is the only other authorized signatory on the account and has complete access to all systems wherein money within the office is received and disbursed. The District Attorney review each of the payees prior to executing a financial instrument.

In addition, as an additional financial control, the Van Zandt County Auditor's Office completes a monthly financial audit of the referenced account. As a proposed solution, the District Attorney would allow a member of the Van Zandt County Auditor's Office to reconcile the monthly bank statement to address the issue of having the same employee preparing checks and also reconciling the bank statement.

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Section II – Financial Statement Findings (cont)

Funds are rarely received by U.S. Mail. The vast majority of funds are received in person or by telephone payments, so segregating mail responsibilities will not achieve the state purpose or preventing fraud.

Finding 2015-008 – 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 statement.

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 check in envelope 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.

Finding 2015-009 – 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 statements can then be forwarded to the employee responsible for preparing the bank reconciliations. Once complete, the bank reconciliations should be reviewed and approved by the elected official.

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Section II – Financial Statement Findings (cont)

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

Finding 2015-010 – Segregation of Duties – District Clerk

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 District Clerk prepares the checks and signs them along with the chief deputy. The District Clerk is also responsible for mailing the signed checks as well as reconciling the bank statement. 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 statement.

Cause: Improper segregation of duties and small office size.

Effect: Increased fraud risk.

Recommendation: The chief deputy responsible for reviewing the checks and signing as the second signature should distribute the checks. They should not be returned to the District Clerk for mailing.

Responsible Official's Response: The District Clerk indicates that the policy of the chief deputy responsible for reviewing the checks and signing as the second signature does currently distribute the checks. The County does not disagree with the recommendation.

Finding 2015-011 – 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 that 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 unexpended 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.

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Section II – Financial Statement Findings (cont)

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

Finding 2015-012 – Fixed Assets

Criteria: A complete and accurate fixed assets listing should be maintained by the County. A system to capture information necessary to identify new fixed asset additions should be in place. A complete inventory of fixed assets should be conducted to identify assets no longer owned by the County and which should be removed from the fixed asset listing.

Condition and Context: While performing work on fixed assets, several new fixed assets that should have been included on the listing were not. Also, fixed assets were on the listing that were no longer owned by the County and should have been removed.

Cause: Control failure in the system of tracking fixed asset additions and deletions.

Effect: Incomplete listing of fixed assets owned by County.

Recommendation: The County's system for identifying fixed asset additions and deletions should be revisited to ensure the system allows for the capture of all fixed asset additions and deletions and make any necessary changes to the system. The County should conduct a complete and thorough inventory of fixed assets in order to properly update the fixed asset listing.

Responsible Official's Response: The fixed assets that should have been included on the fixed asset listing represented computer a telephone system for the Sheriff's Dept and Adult Probation and there appeared to be confusion as to whether or not the asset should be added to fixed assets.

In order to capture all fixed asset additions the Account Payable Register is reviewed monthly in order to monitor capital expenditures that would be included in fixed assets.

The County does need to conduct a complete and thorough inventory of fixed assets in order to properly update the fixed asset listing.

Finding 2015-013 – Late Remittance of Payroll Taxes and Withholding

Criteria: According to the IRS Circular E Employer's Tax Guide, the County is a semiweekly schedule depositor of payroll taxes and withholding. Thus, if the payday falls on a Wednesday, Thursday and/or Friday, then taxes should be deposited with the IRS by the following Wednesday. If the payday falls on a Saturday, Sunday, Monday and/or Tuesday, then taxes should be deposited with the IRS by the following Friday.

Condition and Context: The County's payroll taxes and withholding for a payroll in May 2015 did not get deposited with the IRS until December 2015. Even though the deposit was reflected as outstanding on the bank reconciliation for months, the issue was not identified.

Cause: Lack of internal control over the remitting of payroll taxes and withholding to the IRS.

Effect: The County did not comply with federal payroll rules and regulations and may owe a penalty to the IRS for the late remittance.

Recommendation: The County should develop and implement an internal control procedure to ensure payroll taxes and withholding are remitted to the IRS within the required timeframes.

Responsible Official's Response: The County Treasurer's routine is to complete payroll on Wednesday for a pay day of Friday, the direct deposit is to me made by noon Wednesday for employees to be paid on Friday. On Thursday, the County Treasurer processes payroll payables, which include payroll taxes, and will make the taxes be paid on the same day as the pay date. The County Treasurer missed the payroll tax payment in error. The form was filed as if completed but actually had not been paid. Payroll taxes were paid at a later date upon becoming aware of the non-payment. County Auditor will also work with the County Treasurer's Office and implement a checklist to confirm all required payroll procedures have been completed.

**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section III – Federal Award Findings and Questioned Costs

Finding 2015-001:

Information on the Federal Program: CFDA 14.228 – Community Development Block Grant, U. S. Department of Housing and Urban Development. *Pass Through Entity:* Texas Department of Agriculture. *Award Number:* 713489, 713026 and 7214056. *Compliance Requirements:* Cash Management. *Type of Finding:* Material Noncompliance.

Criteria: Program requirements state that grant funds are to be disbursed within five days of receipt of the funds.

Condition and Context: We analyzed the drawdowns for the year ended September 30, 2015 for each award, noting the number of days between the receipt of the grant funds in the bank account and the disbursement date of the funds. Three instances, one for each grant award, were noted where the number of days between receipt and disbursement of grant funds were greater than five days.

Questioned Costs: -0-

Effect: As a result, the County did not comply with the cash management requirements of the grant.

Cause: County personnel failed to issue the checks within the required timeframe.

Recommendation: County should develop internal control procedures to ensure grant funds received are disbursed within the proper timeframe.

Responsible Official's Response and Corrective Action Planned:

Planned Implementation Date of Corrective Action:

Person Responsible for Corrective Action: County Treasurer indicates that there was difficulty in determining as to when the funds were deposited to the account as we did not have on line access. This issue has now been corrected. There were also three cases this year where the State deposited money into the wrong water grant account and it took several days to determine where the money belonged. Online access with the Bank should help prevent cash disbursement delays going forward.

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There were no findings reported in the prior audit as of September 30, 2014.