

VAN ZANDT COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

VAN ZANDT COUNTY, TEXAS

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INDEPENDENT AUDITORS' REPORT

Honorable County Judge
and Commissioners' Court of Van Zandt County
Canton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Zandt County, Texas, (the "County"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

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

OFFICE LOCATIONS

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NEW MEXICO | Albuquerque

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, 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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Van Zandt County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
June 26, 2019

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VAN ZANDT COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2018

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, 2018. Please read it in conjunction with the County's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,841,337 (*net position*). Of this amount, \$4,179,291 (*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 \$1,998,858, due to the \$1,342,516 increase in property tax revenue. This increase was due to an increase in the property tax rate for the current year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,979,899, an increase of \$2,621,487 in comparison with the prior year. The County has fund balance available for spending at the County's discretion as unassigned fund balance is \$2,521,958 .
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$2,313,050 .

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, health and welfare, public safety, highways and bridges, sanitation, conservation and culture and recreation. The County had no business-type activities.

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

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

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

The County maintained 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 in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements 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 \$10,842,479 to \$12,841,337. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislations, or other legal requirements – was \$4,179,291 as of September 30, 2018.

The net position of the County increased by \$1,998,858 in fiscal year 2018, as opposed to a decrease of \$416,425 in fiscal year 2017. Total assets increased \$1,819,250 when compared to fiscal year 2017. The main factor that caused this increase was the tax year 2017 tax rate was increased by .03 cents. This generated approximately \$630,000 in revenue. Only .01 cent was included in the expense budget and it was specifically earmarked to raise correctional officer and deputy positions salaries at the Van Zandt County Jail. The increases were to allow the salaries to be more competitive with surrounding counties and try to prevent the turnover rate. The additional .02 cents were to increase the fund balance.

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

	Governmental Activities	
	2018	2017
Current and other assets	\$ 9,748,763	\$ 7,742,355
Capital assets	10,146,227	10,333,385
Total assets	<u>19,894,990</u>	<u>18,075,740</u>
Deferred outflows of resources	480,126	1,926,964
Current liabilities	3,063,962	3,112,368
Non current liabilities	<u>3,994,730</u>	<u>5,884,001</u>
Total liabilities	<u>7,058,692</u>	<u>8,996,369</u>
Deferred inflows	475,087	163,856
Net position		
Net invested in capital assets	5,125,117	4,913,211
Restricted	3,536,929	4,387,877
Unrestricted	<u>4,179,291</u>	<u>1,541,391</u>
Total net position	<u>\$ 12,841,337</u>	<u>\$ 10,842,479</u>

TABLE 2
VAN ZANDT COUNTY, TEXAS
CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Charges for services	\$ 5,015,843	\$ 4,312,515
Operating grants and contributions	688,958	1,310,337
General revenue:		
Property taxes	15,398,438	14,055,922
Miscellaneous	252,427	418,594
Gain on sale of capital assets	149,053	-
Insurance recoveries	-	110,849
Interest income	136,505	54,847
Total revenues	<u>21,641,224</u>	<u>20,263,064</u>
Expenses:		
General government	4,158,482	3,664,342
Judicial	2,610,294	2,702,820
Public safety	5,694,387	5,895,377
Health and welfare	121,389	204,297
Highways and bridges	6,556,457	7,738,581
Culture and recreation	134,900	124,947
Conservation	88,674	85,725
Sanitation	63,763	78,029
Interest on long-term debt	214,020	185,372
Total expenses	<u>19,642,366</u>	<u>20,679,489</u>
Change in net position	1,998,858	(416,425)
Net position beginning of year	<u>10,842,479</u>	<u>11,258,904</u>
Net position end of year	<u>\$ 12,841,337</u>	<u>\$ 10,842,479</u>

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 12 – 13) reported a combined fund balance of \$5,979,899 which represents a \$2,621,487 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 that were estimated in September of 2017.) Also, the second category was the Commissioners' Court approving several changes in appropriations to prevent budget overruns.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	
	2018	2017
Land	\$ 514,749	\$ 514,749
Buildings and improvements	2,564,265	2,834,919
Machinery and equipment	2,224,581	1,725,837
Infrastructure	4,842,632	5,257,880
Total	<u>\$ 10,146,227</u>	<u>\$ 10,333,385</u>

At the end of 2018, the County had approximately \$10,146,227 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings and equipment, transportation equipment, and administrative and maintenance buildings and equipment.

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

- 15 Chevrolet Tahoes for \$535,770
- 2018 Motor Grader for \$239,900

Debt

	Governmental Activities	
	2018	2017
Certificates of obligation	\$ 3,987,000	\$ 4,994,000
Notes payable	1,034,110	426,174
Compensated absences	398,109	469,263
Total	<u>\$ 5,419,219</u>	<u>\$ 5,889,437</u>

At year-end, the County had \$1,034,110 in notes payable for various County equipment and vehicles. The County issued \$810,891 in new debt and paid \$202,955 in principal payments for the year. The County also had \$3,987,000 of Certificates of Obligation outstanding at year-end. The County paid in principal payments of \$1,007,000 on these obligations in fiscal year 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's General Fund balance of \$2,345,630 reported on pages 12 and 13 differs from the General Fund's budgetary fund balance of \$761,872. The primary reason for the difference was the County staying under budgeted expenditures by \$1,005,798. The County also collected \$666,733 more in revenues than were budgeted for FY 2018.

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

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

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

The County continues to experience an increase in expenditures for federal mandates related to elections; and increased expenditures 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 2019 budget and tax rates. The officials will take additional steps of reductions and increasing revenues as much as possible, although the County also expects expenditures grow, but at a smaller pace than the increase in revenue.

For fiscal year 2019 the County has total resources of \$24,094,850. The property tax rate is \$.615847 and includes a \$.10 special road tax. The fiscal year 2019 budget will raise additional property taxes of \$867,726.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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VAN ZANDT COUNTY, TEXAS
STATEMENT OF NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,987,875
Receivables (net of allowance for doubtful accounts)	2,588,792
Prepays	5,690
Net pension asset	166,406
Capital assets (net of accumulated depreciation):	
Land	514,749
Buildings	2,564,265
Machinery and equipment	2,224,581
Infrastructure	4,842,632
Total capital assets	10,146,227
Total assets	19,894,990
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	480,126
Total deferred outflows of resources	480,126
LIABILITIES	
Accounts payable	954,419
Accrued liabilities	386,202
Accrued interest payable	113,099
Due to other governments	185,753
Long-term debt:	
Due within one year	1,424,489
Due in more than one year	3,994,730
Total liabilities	7,058,692
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	475,087
Total deferred inflows of resources	475,087
NET POSITION	
Net investment in capital assets	5,125,117
Restricted for:	
Road and bridge	1,743,589
Court technology and security	72,911
Records management	581,593
Judicial	61,498
Public safety	261,948
Law library	56,182
Conservation	14,680
Economic development	254,328
Historical commission	7,110
Voter registration	16
Disaster relief	43,293
Debt service	439,781
Unrestricted	4,179,291
Total net position	\$ 12,841,337

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

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VAN ZANDT COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 4,158,482	\$ 900,358	\$ 246,170	\$(3,011,954)
Judicial	2,610,294	2,001,933	149,367	(458,994)
Public safety	5,694,387	457,675	65,492	(5,171,220)
Health and welfare	121,389	-	59,429	(61,960)
Highways and bridges	6,556,457	1,430,213	168,500	(4,957,744)
Cultural and recreation	134,900	9,161	-	(125,739)
Conservation	88,674	-	-	(88,674)
Sanitation	63,763	216,503	-	152,740
Interest on long-term debt	214,020	-	-	(214,020)
Total primary government	\$ 19,642,366	\$ 5,015,843	\$ 688,958	(13,937,565)
General revenues:				
Property taxes				15,398,438
Investment earnings				136,505
Gain on sale of assets				149,053
Other				252,427
Total general revenues				15,936,423
Change in net position				1,998,858
Net position - beginning of year				10,842,479
Net position - end of year				\$ 12,841,337

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

VAN ZANDT COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

	General	Road and Bridge Precinct #1	Road and Bridge Precinct #2	Road and Bridge Precinct #3
ASSETS				
Cash and cash equivalents	\$ 2,898,947	\$ 348,559	\$ 750,911	\$ 705,986
Receivables (net of allowance of uncollectibles) :				
Accounts	1,675,850	8,016	9,853	8,373
Property Taxes	503,139	44,733	58,536	52,361
Due from other governments	16,880	-	-	-
Prepaid and other assets	5,690	-	-	-
Due from other funds	155,446	-	-	-
Total assets	<u>5,255,952</u>	<u>401,308</u>	<u>819,300</u>	<u>766,720</u>
LIABILITIES				
Accounts payable	558,034	28,906	121,976	89,027
Accrued Liabilities	311,283	16,141	13,797	13,873
Due to other governments	185,753	-	-	-
Due to other funds	3,835	-	-	-
Total liabilities	<u>1,058,905</u>	<u>45,047</u>	<u>135,773</u>	<u>102,900</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fines	1,415,867	-	-	-
Unavailable revenue - property taxes	435,550	39,924	45,537	45,645
Total deferred inflows of resources	<u>1,851,417</u>	<u>39,924</u>	<u>45,537</u>	<u>45,645</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	5,690	-	-	-
Restricted for:				
Road and bridge	-	316,337	637,990	618,175
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Debt service	-	-	-	-
Law library	-	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Historical commission	-	-	-	-
Voter registration	-	-	-	-
Disaster relief	-	-	-	-
Assigned for subsequent year's budget	26,890	-	-	-
Unassigned	2,313,050	-	-	-
Total fund balances	<u>2,345,630</u>	<u>316,337</u>	<u>637,990</u>	<u>618,175</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,255,952</u>	<u>\$ 401,308</u>	<u>\$ 819,300</u>	<u>\$ 766,720</u>

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

Road and Bridge Precinct #4	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 483,945	\$ 490,344	\$ 1,309,183	\$ 6,987,875
7,866	-	49,627	1,759,585
44,121	58,701	-	761,591
-	-	50,736	67,616
-	-	-	5,690
-	3,835	-	159,281
<u>535,932</u>	<u>552,880</u>	<u>1,409,546</u>	<u>9,741,638</u>
67,858	-	88,618	954,419
14,064	-	17,044	386,202
-	-	-	185,753
-	-	155,446	159,281
<u>81,922</u>	<u>-</u>	<u>261,108</u>	<u>1,685,655</u>
-	-	-	1,415,867
<u>39,981</u>	<u>53,580</u>	<u>-</u>	<u>660,217</u>
<u>39,981</u>	<u>53,580</u>	<u>-</u>	<u>2,076,084</u>
-	-	-	5,690
-	-	-	1,572,502
-	-	72,911	72,911
-	-	581,593	581,593
-	-	61,498	61,498
-	-	261,948	261,948
-	499,300	-	499,300
-	-	56,182	56,182
-	-	14,680	14,680
-	-	254,328	254,328
-	-	7,110	7,110
-	-	16	16
-	-	43,293	43,293
-	-	-	26,890
<u>414,029</u>	<u>-</u>	<u>(205,121)</u>	<u>2,521,958</u>
<u>414,029</u>	<u>499,300</u>	<u>1,148,438</u>	<u>5,979,899</u>
<u>\$ 535,932</u>	<u>\$ 552,880</u>	<u>\$ 1,409,546</u>	<u>\$ 9,741,638</u>

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VAN ZANDT COUNTY, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for governmental activities in the statement of net position (page 10) are different because:

Total fund balances governmental funds (page 13)	\$	5,979,899
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.		10,146,227
The net pension asset is not an available resource and, therefore, is not reported in the funds.		166,406
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		2,076,084
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(113,099)
Deferred outflows of resources represent the consumption of net position that are applicable to a future reported period.		480,126
Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period.	(475,087)
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>5,419,219</u>)
Net position of governmental activities	\$	<u><u>12,841,337</u></u>

VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Road and Bridge Precinct #1	Road and Bridge Precinct #2	Road and Bridge Precinct #3
REVENUES				
Property taxes	\$ 10,017,681	\$ 579,665	\$ 698,279	\$ 589,652
Property taxes - special road tax	-	428,542	654,023	664,394
Permits, licenses and fees	2,536,249	253,434	670,653	265,801
Investment earnings	65,185	9,301	17,688	10,349
Intergovernmental revenues	325,510	1,207	1,207	1,207
Other revenues and fees	<u>197,427</u>	<u>156</u>	<u>150,285</u>	<u>19,954</u>
Total revenues	<u>13,142,052</u>	<u>1,272,305</u>	<u>2,192,135</u>	<u>1,551,357</u>
EXPENDITURES				
Current:				
General government	3,081,659	-	-	-
Judicial	2,457,342	-	-	-
Public safety	4,863,433	-	-	-
Conservation	82,067	-	-	-
Highways and bridges	38,749	1,376,346	2,018,525	1,268,365
Cultural and recreation	133,782	-	-	-
Sanitation	64,727	-	-	-
Health and welfare	120,661	-	-	-
Capital outlay	565,525	92,000	80,027	200,900
Debt service:				
Principal retirement	124,082	37,211	19,308	-
Interest and fiscal charges	<u>10,712</u>	<u>149</u>	<u>783</u>	<u>-</u>
Total expenditures	<u>11,542,739</u>	<u>1,505,706</u>	<u>2,118,643</u>	<u>1,469,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,599,313</u>	<u>(233,401)</u>	<u>73,492</u>	<u>82,092</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	543,903	-	-	157,900
Insurance recoveries	9,108	-	2,381	-
Sale of capital assets	12,239	24,126	1,455	84,577
Transfers in	46,972	269,386	2,407	-
Transfers out	<u>(247,817)</u>	<u>(16,029)</u>	<u>(16,944)</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>364,405</u>	<u>277,483</u>	<u>(10,701)</u>	<u>232,477</u>
Net change in fund balances	1,963,718	44,082	62,791	314,569
Fund balances, Beginning	<u>381,912</u>	<u>272,255</u>	<u>575,199</u>	<u>303,606</u>
Fund balances, Ending	<u>\$ 2,345,630</u>	<u>\$ 316,337</u>	<u>\$ 637,990</u>	<u>\$ 618,175</u>

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

Road and Bridge Precinct #4	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 567,976	\$ 767,275	\$ -	\$ 13,220,528
431,375	-	-	2,178,334
248,325	-	961,587	4,936,049
8,598	7,761	17,623	136,505
1,207	-	723,297	1,053,635
282	-	45,576	413,680
<u>1,257,763</u>	<u>775,036</u>	<u>1,748,083</u>	<u>21,938,731</u>
-	-	732,324	3,813,983
-	-	124,143	2,581,485
-	-	614,794	5,478,227
-	-	6,000	88,067
953,640	-	-	5,655,625
-	-	-	133,782
-	-	-	64,727
-	-	-	120,661
36,000	-	-	974,452
22,338	1,007,000	-	1,209,939
3,741	152,194	-	167,579
<u>1,015,719</u>	<u>1,159,194</u>	<u>1,477,261</u>	<u>20,288,527</u>
<u>242,044</u>	<u>(384,158)</u>	<u>270,822</u>	<u>1,650,204</u>
109,088	-	-	810,891
-	-	-	11,489
21,465	-	5,041	148,903
300,860	-	260,790	880,415
(10,000)	-	(579,625)	(880,415)
<u>421,413</u>	<u>-</u>	<u>(313,794)</u>	<u>971,283</u>
663,457	(384,158)	(42,972)	2,621,487
(249,428)	883,458	1,191,410	3,358,412
<u>\$ 414,029</u>	<u>\$ 499,300</u>	<u>\$ 1,148,438</u>	<u>\$ 5,979,899</u>

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VAN ZANDT COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts report for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds \$ 2,621,487

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

Expenditures for capital assets 1,033,452
Less: current year depreciation (1,209,271)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (11,339)

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

Property taxes (424)
Court fines 56,215
Grant revenue (740,782)

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

Compensated absences 71,154
Pension cost (174,257)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term liabilities 1,209,955
Issuance of long-term debt (810,891)

Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. (46,441)

Change in net position of governmental activities \$ 1,998,858

VAN ZANDT COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

ASSETS

Cash and cash equivalents	\$ <u>5,335,657</u>
Total assets	<u>5,335,657</u>

LIABILITIES

Due to other agencies and individuals	<u>5,335,657</u>
Total liabilities	<u><u>\$ 5,335,657</u></u>

VAN ZANDT COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Van Zandt County (the County) is a public corporation and political subdivision of the state of Texas. The Commissioners' Court, which is made up of four commissioners and County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (courts, juries, district attorney, etc.) public safety (sheriff, constables, jails and community supervision, etc.), health and welfare (assistance to indigents, veteran services, etc.), highways and bridges, cultural and recreation, conservation, and sanitation.

The accounting and reporting policies of the County relating to the 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 expense 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*, these financial statements present 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 funds. The combined amounts for these funds are reflected in a single column in the Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for all non-major funds are presented within Combining Schedules.

Fund-Level Financial Statements

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

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

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

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

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

The County reports the following major governmental funds:

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

Additionally, the County reports the following fund type:

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

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

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectables. Trade amounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables. The property tax receivable allowance is equal to 29 percent of outstanding property taxes as of September 30, 2018.

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 acquisition value, which is the price that would be paid to acquire an assets with equivalent service potential at the acquisition date.

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

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

5. Compensated Absences

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

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

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

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

- Changes in actuarial assumptions and other inputs for pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

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

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

8. Estimates

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

9. Pensions

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

10. Net Position Flow Assumptions

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

11. Fund Balance Flow Assumption

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

12. Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be 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 Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for specific purpose but are neither restricted nor committed. This intent is determined by the Commissioners' Court or County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

13. Equity Classification

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliations between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the “Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.” The detail of the \$2,076,084 difference is as follows:

Property taxes	\$ 660,217
Court receivables	<u>1,415,867</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 2,076,084</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 \$ 5,419,219 difference is as follows:

Certificates of obligation payable	\$(3,987,000)
Notes payable obligations	(1,034,110)
Compensated absences	<u>(398,109)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position governmental activities	<u>\$(5,419,219)</u>

Another element of that reconciliation states that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The detail of this \$ 10,146,227 difference is as follows:

Beginning balance of capital assets, net of depreciation	\$ 10,333,385
Capital asset additions, net of retirements	1,022,113
Depreciation of capital assets, current year	<u>(1,209,271)</u>
	<u>\$ 10,146,227</u>

B. Explanation of Certain Differences Between the Government Fund Statements 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 balance 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 \$ 175,819 difference is as follows:

Capital outlay	\$	1,033,452
Depreciation expense	(<u>1,209,271</u>)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$	<u>(175,819)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Expenditures Over Appropriations

Data processing (\$6,448); Sheriff department (\$275). Both departments are in the general fund. These overages were funded with greater than anticipated revenues.

B. Deficit Fund Balance

VOICES Grant, Juvenile Probation, ETCOG Residential Grant, and Van Tornado Assistance funds have a deficit fund balance of (\$10,263), (\$177,145), (\$2,032), (\$15,681), respectively. The County plans to cover these deficits with either transfers or greater revenues than expenditures.

IV. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash and investments as of September 30, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary government	
Cash and cash equivalents	\$ <u>6,987,875</u>
 Total cash and cash equivalents	 \$ <u><u>6,987,875</u></u>
 Cash on hand	 \$ 4,703
Checking and savings account	1,032,192
External investment pools	<u>5,950,980</u>
	\$ <u><u>6,987,875</u></u>

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

As of September 30, 2018, the County had the following cash equivalents:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 5,185,135	28
MBIA Class	<u>765,845</u>	50
 Total fair value	 \$ <u><u>5,950,980</u></u>	

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

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

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

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations, those of its agencies and instrumentalities, or direct obligations of Texas or its agencies instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, the carrying value of the County's deposit balance was fully collateralized with securities held by the pledging financial institution in the County's name of by FDIC insurance.

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

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

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

Receivables

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

	<u>General</u>	<u>Road & Bridge</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 704,575	\$ 280,249	\$ 82,202	\$ -	\$ 1,067,026
Accounts	<u>14,418,647</u>	<u>34,108</u>	<u>-</u>	<u>49,627</u>	<u>14,502,382</u>
Gross receivables	<u>15,123,222</u>	<u>314,357</u>	<u>82,202</u>	<u>49,627</u>	<u>15,569,408</u>
Less: allowance for uncollectibles	<u>(12,944,233)</u>	<u>(80,498)</u>	<u>(23,501)</u>	<u>-</u>	<u>(13,048,232)</u>
Net total receivables	<u>\$ 2,178,989</u>	<u>\$ 233,859</u>	<u>\$ 58,701</u>	<u>\$ 49,627</u>	<u>\$ 2,521,176</u>

Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ <u>514,749</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>514,749</u>
Total capital assets, not being depreciated	<u>514,749</u>	<u>-</u>	<u>-</u>	<u>514,749</u>
Capital assets, being depreciated:				
Buildings and improvements	7,788,798	-	-	7,788,798
Machinery and equipment	9,001,890	1,033,452	(782,420)	9,252,922
Infrastructure	<u>8,311,778</u>	<u>-</u>	<u>-</u>	<u>8,311,778</u>
Total capital assets being depreciated	<u>25,102,466</u>	<u>1,033,452</u>	<u>(782,420)</u>	<u>25,353,498</u>
Less accumulated depreciation:				
Buildings and improvements	(4,953,879)	(270,654)	-	(5,224,533)
Machinery and equipment	(7,276,053)	(523,369)	771,081	(7,028,341)
Infrastructure	<u>(3,053,898)</u>	<u>(415,248)</u>	<u>-</u>	<u>(3,469,146)</u>
Total accumulated depreciation	<u>(15,283,830)</u>	<u>(1,209,271)</u>	<u>771,081</u>	<u>(15,722,020)</u>
Total capital assets, being depreciated, net	<u>9,818,636</u>	<u>(175,819)</u>	<u>(11,339)</u>	<u>9,631,478</u>
Governmental activities capital assets, net	<u>\$ 10,333,385</u>	<u>\$ (175,819)</u>	<u>\$ (11,339)</u>	<u>\$ 10,146,227</u>

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

Governmental activities:	
General government	\$ 322,840
Public safety	183,069
Highways and bridges	<u>703,362</u>
Total depreciation expense - governmental activities	<u>\$ 1,209,271</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances of as September 30, 2018, is as follows:

Due to/from other funds:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
	General Fund	Nonmajor Funds	\$	155,446
	Debt Service	General Fund		<u>3,835</u>
			\$	<u><u>159,281</u></u>

	<u>Transfer In</u>			
	<u>General</u>	<u>Road & Bridge 1-4</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:				
General	\$ -	\$ -	\$ 247,817	\$ 247,817
Road & Bridge 1-4	40,000	-	12,973	52,973
Nonmajor governmental	<u>6,972</u>	<u>572,653</u>	<u>-</u>	<u>579,625</u>
Total transfers	<u><u>\$ 46,972</u></u>	<u><u>\$ 572,653</u></u>	<u><u>\$ 260,790</u></u>	<u><u>\$ 880,415</u></u>

Long-Term Liabilities

The County has issued certificates of obligation in prior years for the construction and purchase of capital assets. The proceeds were used to construct a jail, improve county infrastructure and purchasing buildings for county use. The County has also entered into financing contracts or notes with Government Capital Finance Corporation and Texas Bank & Trust 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, 2018 are comprised of the following issues:

<u>Certificates of Obligation:</u>				
<u>Name</u>	<u>Original Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Current Balance</u>
Series 2004 Combination Tax and Revenue Certificates of Obligation	\$ 1,500,000	2/15/2019	4.65%	\$ 140,000
Series 2008 Certificates of Obligation	6,375,000	4/30/2023	3.39%	2,485,000
Series 2010 Certificates of Obligation	4,099,000	12/15/2020	3.02%	<u>1,362,000</u>
				<u>\$ 3,987,000</u>

<u>Notes Payable:</u>				
<u>Name</u>	<u>Original Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Current Balance</u>
Governmental Capital Corporation - Contract #6851	\$ 150,000	12/5/2019	3.20%	\$ 62,575
Governmental Capital Corporation - Contract #6235	149,105	12/5/2019	3.20%	68,218
Governmental Capital Corporation - Contract #7555	150,000	12/30/2020	3.22%	114,764
Governmental Capital Corporation - Contract #8009	543,903	12/15/2021	3.06%	543,903
Governmental Capital Corporation - Contract #8143	157,900	3/28/2023	4.29%	157,900
Promissory Note	109,116	2/15/2021	3.85%	<u>86,750</u>
				<u>\$ 1,034,110</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Certificates of obligation	\$ 4,994,000	\$ -	\$ 1,007,000	\$ 3,987,000	\$ 1,045,000
Notes/Leases	426,174	810,891	202,955	1,034,110	299,867
Compensated absences	<u>469,263</u>	<u>323,297</u>	<u>394,451</u>	<u>398,109</u>	<u>79,622</u>
Total governmental activity					
Long-term liabilities	<u>\$ 5,889,437</u>	<u>\$ 1,134,188</u>	<u>\$ 1,604,406</u>	<u>\$ 5,419,219</u>	<u>\$ 1,424,489</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>
2019	\$ 1,045,000	\$ 121,985	\$ 1,166,985
2020	934,000	89,467	1,023,467
2021	963,000	59,273	1,022,273
2022	515,000	35,426	550,426
2023	<u>530,000</u>	<u>17,967</u>	<u>547,967</u>
Total	<u>\$ 3,987,000</u>	<u>\$ 324,118</u>	<u>\$ 4,311,118</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>
2019	\$ 299,867	\$ 32,584	\$ 332,451
2020	302,918	23,218	326,136
2021	221,845	14,230	236,075
2022	175,193	7,236	182,429
2023	<u>34,287</u>	<u>1,471</u>	<u>35,758</u>
Total	<u>\$ 1,034,110</u>	<u>\$ 78,739</u>	<u>\$ 1,112,849</u>

V. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss by obtaining property, casualty, liability and other coverage through participation in the Texas Association of Counties – County Government Risk Management Pool, a public entity risk pool. The County pays an annual premium for its coverage. As claims are filed, the County pays the applicable deductible amount and the risk pool pays the additional amounts over the deductible, up to the applicable limit of liability. As of September 30, 2018, the County had not liability for unpaid claims or adjustments under policies carried with the risk pool. During the year ended September 30, 2018, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years, which exceeded insurance coverage carried by the County.

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

VI. CONTINGENT LIABILITIES

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

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

VII. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Plan Membership

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	136
Inactive employees entitled to but not yet receiving benefits	313
Active employees	<u>235</u>
	<u><u>684</u></u>

Contributions

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 7.43% and 7.76% in calendar years 2017 and 2018, respectively. The County’s contributions to TCDRS for the year ended September 30, 2018, were \$556,336 and were equal to the required contributions.

Net Pension Asset of the County

The County’s Net Pension Asset (NPA) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

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

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

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

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

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 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 2017. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	75.00%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 26,863,604	\$ 25,446,198	\$ 1,417,406
Changes for the year:			
Service cost	906,342	-	906,342
Interest on total pension liability ⁽¹⁾	2,188,341	-	2,188,341
Effect of economic/demographic gains or losses	(53,732)	-	(53,732)
Effect of assumptions changes or inputs	99,350	-	99,350
Refund of contributions	(159,836)	(159,836)	-
Benefit payments	(1,376,823)	(1,376,823)	-
Administrative expenses	-	(19,042)	19,042
Member contributions	-	506,244	(506,244)
Net investment income	-	3,706,326	(3,706,326)
Employer contributions	-	537,372	(537,372)
Other ⁽²⁾	-	(6,787)	6,787
Balance at 12/31/2017	<u>\$ 28,467,246</u>	<u>\$ 28,633,652</u>	<u>\$(166,406)</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	\$ 31,876,836	\$ 28,467,246	\$ 25,585,426
Fiduciary net position	<u>28,633,652</u>	<u>28,633,652</u>	<u>28,633,652</u>
Net pension liability/(asset)	<u>\$ 3,243,184</u>	<u>\$(166,406)</u>	<u>\$(3,048,226)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the County recognized pension expense of \$731,339. At September 30, 2018, 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 economic experience	\$ -	\$ 95,042
Changes in actuarial assumptions	66,233	-
Net difference between projected and actual investment earnings	-	380,045
Contributions made subsequent to the measurement date	<u>413,893</u>	<u>-</u>
Total	<u>\$ 480,126</u>	<u>\$ 475,087</u>

Country contributions subsequent to the measurement date of \$413,893 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension asset in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2019	\$ 113,987
2020	112,154
2021	(301,836)
2022	(333,159)

VIII. SUBSEQUENT EVENT

On December 4, 2018, the County closed on Public Finance Act Contract No. 8498 for the purpose of financing a motor grader for \$221,910.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

VAN ZANDT COUNTY, TEXAS

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

SEPTEMBER 30, 2018

Measurement Date December 31	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 782,515	\$ 796,066	\$ 981,737	\$ 906,342
Interest on total pension liability	1,820,701	1,932,289	2,044,552	2,188,343
Effect of plan changes	-	(98,883)	-	-
Effect of assumption changes or inputs	-	267,104	-	99,350
Effect of economic/demographic (gains) or losses	(51,704)	(136,245)	(177,662)	(53,732)
Benefit payments/refunds of contributions	<u>(1,220,569)</u>	<u>(1,307,127)</u>	<u>(1,461,724)</u>	<u>(1,536,659)</u>
Net change in total pension liability	1,330,943	1,453,204	1,386,903	1,603,644
Total pension liability, beginning	<u>22,692,554</u>	<u>24,023,497</u>	<u>25,476,701</u>	<u>26,863,604</u>
Total pension liability, ending (a)	<u>\$ 24,023,497</u>	<u>\$ 25,476,701</u>	<u>\$ 26,863,604</u>	<u>\$ 28,467,248</u>
Fiduciary Net Position				
Employer contributions	\$ 552,153	\$ 580,642	\$ 564,398	\$ 537,372
Member contributions	453,117	498,099	497,579	506,244
Investment income net of investment expenses	1,557,818	(24,407)	1,772,702	3,706,326
Benefit payments/refunds of contributions	(1,220,569)	(1,307,127)	(1,461,724)	(1,536,659)
Administrative expenses	(18,133)	(17,320)	(19,257)	(19,042)
Other	<u>(1,752)</u>	<u>13,222</u>	<u>134,251</u>	<u>(6,785)</u>
Net change in fiduciary net position	1,322,634	(256,891)	1,487,949	3,187,456
Fiduciary net position, beginning	<u>22,892,506</u>	<u>24,215,140</u>	<u>23,958,249</u>	<u>25,446,198</u>
Fiduciary net position, ending (b)	\$ 24,215,140	\$ 23,958,249	\$ 25,446,198	\$ 28,633,654
Net pension liability/(asset), ending = (a)-(b)	<u>\$ (191,643)</u>	<u>\$ 1,518,452</u>	<u>\$ 1,417,406</u>	<u>\$ (166,406)</u>
Fiduciary net position as a % of total pension liability	100.80%	94.04%	94.72%	100.58%
Pensionable covered payroll	\$ 6,473,107	\$ 7,115,698	\$ 7,108,278	\$ 7,222,134
Net pension liability (asset) as a % of covered payroll	-2.96%	21.34%	19.94%	-2.30%

Notes to the Schedule:

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

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2018

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 552,153	\$ 552,153	\$ -	\$ 6,473,107	8.5%
2015	559,065	559,065	-	6,781,850	8.2%
2016	563,702	563,705	-	7,032,802	8.0%
2017	545,832	545,832	-	7,215,223	7.6%
2018	556,336	556,336	-	7,250,803	7.7%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Timing

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

Actuarial Cost Method

Entry Age

Amortization Method

Level percentage of payroll, closed

Remaining Amortization Period

11.8 years (based on contribution rate calculated in 12/31/2017 valuation)

Asset Valuation Method

5-year smoothed market

Inflation

2.75%

Salary Increases

Varies by age and service. 4.9% average over career including inflation.

Investment Rate of Return

8.00%, net of administrative and investment expenses, including inflation

Retirement Age

Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality

130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes in Assumptions and Method

2015: New inflation, mortality and other assumptions

2016: New mortality assumptions

Changes in Plan Provisions

2015: No changes in plan provisions

2016: No plan changes

2017: New Annuity Purchase Rates for benefits earned after 2017

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes:				
Taxes - current	\$ 9,636,021	\$ 9,636,021	\$ 9,646,194	\$ 10,173
Taxes - delinquent	190,000	190,000	207,252	17,252
Penalty and collection fees	140,000	140,000	164,235	24,235
Total Property Taxes	<u>9,966,021</u>	<u>9,966,021</u>	<u>10,017,681</u>	<u>51,660</u>
Fees of Office:				
County judge	500	500	2,356	1,856
County sheriff	60,000	60,000	64,003	4,003
County clerk fees	330,000	330,000	388,466	58,466
County library fees	9,000	9,000	9,161	161
Tyler eagle internet	18,000	18,000	17,048	(952)
Tax assessor-collector	482,000	482,000	525,579	43,579
Child safety-tax office	80,000	80,000	80,552	552
District attorney	8,000	8,000	6,701	(1,299)
District clerk	112,500	112,500	144,281	31,781
Justice of the peace	118,600	118,600	146,317	27,717
Constable	19,500	19,500	30,908	11,408
Probation	100	100	4	(96)
County Court at law	165,000	165,000	226,176	61,176
Jury fees	15,200	15,200	18,072	2,872
District court	160,000	160,000	220,924	60,924
Justice court	321,000	321,000	374,637	53,637
Legal fees/reimbursements	124,000	124,000	133,405	9,405
Citizens collection station	56,500	58,870	68,543	9,673
Inmate telephone revenue	40,000	40,000	79,116	39,116
Total fees	<u>2,119,900</u>	<u>2,122,270</u>	<u>2,536,249</u>	<u>413,979</u>
Intergovernmental Revenues:				
Intergovernmental revenues	225,187	325,510	325,510	-
Total Intergovernmental Revenues	<u>225,187</u>	<u>325,510</u>	<u>325,510</u>	<u>-</u>
Investment Earnings:				
Depository interest	10,030	10,030	65,185	55,155
Total Investment Earnings	<u>10,030</u>	<u>10,030</u>	<u>65,185</u>	<u>55,155</u>
Other Revenues and Fees:				
Rentals	7,200	7,200	10,500	3,300
Lease-adult probation	2,000	2,000	2,003	3
Tax sale excess proceeds	-	-	7,057	7,057
Other revenues	37,000	41,238	177,129	135,891
Open records request	1,050	1,050	738	(312)
Total Other Revenues and Fees	<u>47,250</u>	<u>51,488</u>	<u>197,427</u>	<u>145,939</u>
Total Revenues	<u>\$ 12,368,388</u>	<u>\$ 12,475,319</u>	<u>\$ 13,142,052</u>	<u>\$ 666,733</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
EXPENDITURES				
General Government:				
County judge	\$ 146,361	\$ 146,658	\$ 142,470	\$ 4,188
Human Resources	60,912	61,350	60,331	1,019
County clerk	313,419	316,771	282,429	34,342
Elections	118,417	115,065	79,211	35,854
Non-department	408,625	397,152	329,948	67,204
Contracts	694,523	702,402	681,716	20,686
Veterans	8,365	8,365	8,356	9
Collection department	51,008	51,008	47,874	3,134
County auditor	279,637	279,637	232,863	46,774
County treasurer	106,680	106,681	104,772	1,909
Tax collector	311,273	311,273	306,349	4,924
Data processing	593,017	603,017	568,400	34,617
Public buildings	210,397	242,412	236,940	5,472
Total General Government	<u>3,302,634</u>	<u>3,341,791</u>	<u>3,081,659</u>	<u>260,132</u>
Judicial System:				
County court	12,571	12,571	6,204	6,367
Juvenile county court	8,700	8,700	6,397	2,303
District courts	557,516	557,516	461,172	96,344
Adult district court	468,000	468,000	445,927	22,073
Juvenile district court	2,500	2,500	-	2,500
County court at law	400,837	406,134	338,569	67,565
District clerk	239,864	239,864	232,634	7,230
Justices of the peace	420,867	420,867	398,567	22,300
District attorney	580,307	580,307	567,872	12,435
Total Judicial System	<u>2,691,162</u>	<u>2,696,459</u>	<u>2,457,342</u>	<u>239,117</u>
Public Safety:				
Constables	247,057	248,799	228,958	19,841
Adult probation	1,300	1,300	246	1,054
Sheriff's department	2,382,037	2,626,814	2,464,701	162,113
Jail	2,238,537	2,322,357	2,132,723	189,634
Department of public safety	38,056	38,056	36,805	1,251
Total Public Safety	<u>4,906,987</u>	<u>5,237,326</u>	<u>4,863,433</u>	<u>373,893</u>
Conservation:				
Extension service	86,307	86,307	82,067	4,240
Total Conservation	<u>\$ 86,307</u>	<u>\$ 86,307</u>	<u>\$ 82,067</u>	<u>\$ 4,240</u>

VAN ZANDT COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
EXPENDITURES (Cont'd)				
Culture and Recreation:				
County free library	\$ 109,606	\$ 109,606	\$ 109,209	\$ 397
Office	<u>19,130</u>	<u>25,130</u>	<u>24,573</u>	<u>557</u>
Total Culture and Recreation	<u>128,736</u>	<u>134,736</u>	<u>133,782</u>	<u>954</u>
Highways and Bridges:				
Support	<u>39,689</u>	<u>39,689</u>	<u>38,749</u>	<u>940</u>
Total Highways and Bridges	<u>39,689</u>	<u>39,689</u>	<u>38,749</u>	<u>940</u>
Sanitation:				
Collection	<u>63,981</u>	<u>66,351</u>	<u>64,727</u>	<u>1,624</u>
Total Sanitation	<u>63,981</u>	<u>66,351</u>	<u>64,727</u>	<u>1,624</u>
Health & Welfare				
Indigent health	40,886	40,886	39,226	1,660
Office	<u>176,490</u>	<u>176,490</u>	<u>81,435</u>	<u>95,055</u>
Total Health & Welfare	<u>217,376</u>	<u>217,376</u>	<u>120,661</u>	<u>96,715</u>
Capital Outlay:				
Data processing	-	-	6,448	(6,448)
Public buildings	5,000	-	-	-
Constable pct. 1	36,000	5,244	-	5,244
Jail	31,000	31,000	14,899	16,101
Sheriff department	<u>150,000</u>	<u>543,903</u>	<u>544,178</u>	<u>(275)</u>
Total Capital Outlay	<u>\$ 222,000</u>	<u>\$ 580,147</u>	<u>\$ 565,525</u>	<u>\$ 14,622</u>

VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
EXPENDITURES (Cont'd)				
Debt Service:				
Principal	\$ 179,068	\$ 132,706	\$ 124,082	\$ 8,624
Interest	<u>19,887</u>	<u>15,649</u>	<u>10,712</u>	<u>4,937</u>
Total Debt Service	<u>198,955</u>	<u>148,355</u>	<u>134,794</u>	<u>13,561</u>
Total Expenditures	<u>11,857,827</u>	<u>12,548,537</u>	<u>11,542,739</u>	<u>1,005,798</u>
Excess of Revenues Over Expenditures	510,561	(73,218)	1,599,313	1,672,531
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	263,000	656,903	543,903	(113,000)
Insurance proceeds	1,050	1,050	9,108	8,058
Sale of capital assets	-	-	12,239	12,239
Transfers in	40,000	39,849	46,972	7,123
Transfers out	<u>(244,624)</u>	<u>(244,624)</u>	<u>(247,817)</u>	<u>(3,193)</u>
Total Other Financing Sources (Uses)	<u>59,426</u>	<u>453,178</u>	<u>364,405</u>	<u>(88,773)</u>
NET CHANGE IN FUND BALANCE	569,987	379,960	1,963,718	1,583,758
FUND BALANCE, BEGINNING	<u>381,912</u>	<u>381,912</u>	<u>381,912</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 951,899</u>	<u>\$ 761,872</u>	<u>\$ 2,345,630</u>	<u>\$ 1,583,758</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes:				
Taxes - current	\$ 557,990	\$ 557,990	\$ 558,154	\$ 164
Taxes - delinquent	11,000	11,000	12,001	1,001
Penalty/interest	8,000	8,000	9,510	1,510
Total Property Taxes:	<u>576,990</u>	<u>576,990</u>	<u>579,665</u>	<u>2,675</u>
Property taxes - special road tax:				
Taxes - special road tax - current	419,000	419,000	416,695	(2,305)
Taxes - special road tax - delinquent	-	5,616	5,866	250
Penalty/interest - special road tax	1,000	5,570	5,981	411
Total Property taxes - special road tax	<u>420,000</u>	<u>430,186</u>	<u>428,542</u>	<u>(1,644)</u>
Intergovernmental Revenues:				
Intergovernmental revenues	-	1,207	1,207	-
Total Intergovernmental Revenues	<u>-</u>	<u>1,207</u>	<u>1,207</u>	<u>-</u>
Permits, Licenses and Fees:				
Other Fees	253,250	254,130	253,434	(696)
Total Permits, Licenses and Fees	<u>253,250</u>	<u>254,130</u>	<u>253,434</u>	<u>(696)</u>
Investment Earnings:				
Depository interest	1,500	8,598	9,301	703
Total Investment Earnings	<u>1,500</u>	<u>8,598</u>	<u>9,301</u>	<u>703</u>
Other Revenue:				
Other misc. revenue	-	-	156	156
Total Other Revenue	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
Total Revenues	<u>1,251,740</u>	<u>1,271,111</u>	<u>1,272,305</u>	<u>1,194</u>
EXPENDITURES				
Current:				
Highways and bridges	1,115,565	1,396,747	1,376,346	20,401
Total Highways and Bridges	<u>1,115,565</u>	<u>1,396,747</u>	<u>1,376,346</u>	<u>20,401</u>
Capital Outlay:				
Equipment	40,000	95,500	92,000	3,500
Total Capital Outlay	<u>40,000</u>	<u>95,500</u>	<u>92,000</u>	<u>3,500</u>
Debt Service:				
Principal payments	37,248	37,211	37,211	-
Interest and fiscal charges	112	149	149	-
Total Debt Service	<u>37,360</u>	<u>37,360</u>	<u>37,360</u>	<u>-</u>
Total Expenditures	<u>1,192,925</u>	<u>1,529,607</u>	<u>1,505,706</u>	<u>23,901</u>
Excess of Revenues Over (Under) Expenditures	<u>58,815</u>	<u>(258,496)</u>	<u>(233,401)</u>	<u>25,095</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	24,126	24,126	-
Transfers in	-	269,215	269,386	(171)
Transfers out	(10,000)	(16,029)	(16,029)	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>277,312</u>	<u>277,483</u>	<u>(171)</u>
NET CHANGE IN FUND BALANCE	<u>48,815</u>	<u>18,816</u>	<u>44,082</u>	<u>25,266</u>
FUND BALANCE, BEGINNING	<u>272,255</u>	<u>272,255</u>	<u>272,255</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 321,070</u>	<u>\$ 291,071</u>	<u>\$ 316,337</u>	<u>\$ 25,266</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Tax Revenue:				
Taxes - current	\$ 672,000	\$ 672,000	\$ 672,366	\$ 366
Taxes - delinquent	13,000	13,000	14,457	1,457
Penalty/interest	10,000	10,000	11,456	1,456
Total Property Taxes:	<u>695,000</u>	<u>695,000</u>	<u>698,279</u>	<u>3,279</u>
Property taxes - special road tax:				
Taxes - special road tax - current	640,000	640,000	635,903	(4,097)
Taxes - special road tax - delinquent	-	-	8,972	8,972
Penalty/interest - special road tax	2,000	2,000	9,148	7,148
Total Property taxes - special road tax	<u>642,000</u>	<u>642,000</u>	<u>654,023</u>	<u>12,023</u>
Intergovernmental Revenues:				
Intergovernmental revenues	-	1,207	1,207	-
Total Intergovernmental Revenues	<u>-</u>	<u>1,207</u>	<u>1,207</u>	<u>-</u>
Permits, Licenses and Fees:				
Other fees	290,445	655,795	670,653	14,858
Total Permits, Licenses and Fees	<u>290,445</u>	<u>655,795</u>	<u>670,653</u>	<u>14,858</u>
Investment Earnings:				
Depository interest	2,000	2,000	17,688	15,688
Total Investment Earnings	<u>2,000</u>	<u>2,000</u>	<u>17,688</u>	<u>15,688</u>
Other Revenues:				
Donations	-	150,000	150,285	285
Total Other Revenues	<u>-</u>	<u>150,000</u>	<u>150,285</u>	<u>285</u>
Total Revenues	<u>1,629,445</u>	<u>2,146,002</u>	<u>2,192,135</u>	<u>46,133</u>
EXPENDITURES				
Current:				
Highways and bridges	1,614,596	2,328,893	2,018,525	310,368
Total Highways and Bridges	<u>1,614,596</u>	<u>2,328,893</u>	<u>2,018,525</u>	<u>310,368</u>
Capital Outlay:				
Capital outlay	78,000	80,027	80,027	-
Total Capital Outlays	<u>78,000</u>	<u>80,027</u>	<u>80,027</u>	<u>-</u>
Debt Service:				
Principal payments	19,617	19,617	19,308	309
Interest and fiscal charges	845	845	783	62
Total Debt Service	<u>20,462</u>	<u>20,462</u>	<u>20,091</u>	<u>371</u>
Total Expenditures	<u>1,713,058</u>	<u>2,429,382</u>	<u>2,118,643</u>	<u>310,739</u>
Excess of Revenues Over (Under) Expenditures	(83,613)	(283,380)	73,492	356,872
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	2,381	2,381
Sale of capital assets	-	-	1,455	1,455
Transfers in	175,000	177,407	2,407	(175,000)
Transfers out	(10,000)	(10,000)	(16,944)	(6,944)
Total Other Financing Source (Uses)	<u>165,000</u>	<u>167,407</u>	<u>(10,701)</u>	<u>(178,108)</u>
NET CHANGE IN FUND BALANCE	81,387	(115,973)	62,791	178,764
FUND BALANCE, BEGINNING	575,199	575,199	575,199	-
FUND BALANCE, ENDING	<u>\$ 656,586</u>	<u>\$ 459,226</u>	<u>\$ 637,990</u>	<u>\$ 178,764</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Tax Revenue:				
Taxes - current	\$ 567,500	\$ 567,500	\$ 567,770	\$ 270
Taxes - delinquent	11,000	11,000	12,208	1,208
Penalty/interest	8,000	8,000	9,674	1,674
Total Property Taxes:	<u>586,500</u>	<u>586,500</u>	<u>589,652</u>	<u>3,152</u>
Property taxes - special road tax:				
Taxes - special road tax - current	648,000	648,000	646,026	(1,974)
Taxes - special road tax - delinquent	-	-	9,095	9,095
Penalty/interest - special road tax	2,000	2,000	9,273	7,273
Total Property taxes - special road tax	<u>650,000</u>	<u>650,000</u>	<u>664,394</u>	<u>14,394</u>
Intergovernmental Revenues:				
Intergovernmental revenues	-	1,207	1,207	-
Total Intergovernmental Revenues	<u>-</u>	<u>1,207</u>	<u>1,207</u>	<u>-</u>
Permits, Licenses and Fees:				
Other fees	248,500	256,500	265,801	9,301
Total Permits, Licenses and Fees	<u>248,500</u>	<u>256,500</u>	<u>265,801</u>	<u>9,301</u>
Investment Earning:				
Depository interest	1,500	1,500	10,349	8,849
Total Investment Earning	<u>1,500</u>	<u>1,500</u>	<u>10,349</u>	<u>8,849</u>
Other Revenue:				
Donations	-	18,500	18,500	-
Other misc. revenue	-	-	1,454	1,454
Total Other Revenue	<u>-</u>	<u>18,500</u>	<u>19,954</u>	<u>1,454</u>
Total Revenues	<u>1,486,500</u>	<u>1,514,207</u>	<u>1,551,357</u>	<u>37,150</u>
EXPENDITURES				
Current:				
Highways and bridges	1,390,007	1,441,214	1,268,365	172,849
Total Highways and Bridges	<u>1,390,007</u>	<u>1,441,214</u>	<u>1,268,365</u>	<u>172,849</u>
Capital Outlay:				
Equipment	50,000	204,400	200,900	3,500
Total Capital Outlay	<u>50,000</u>	<u>204,400</u>	<u>200,900</u>	<u>3,500</u>
Total Expenditures	<u>1,440,007</u>	<u>1,645,614</u>	<u>1,469,265</u>	<u>176,349</u>
Excess of Revenues Over (Under) Expenditures	<u>46,493</u>	<u>(131,407)</u>	<u>82,092</u>	<u>213,499</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	157,900	157,900	-
Sale of capital assets	-	-	84,577	84,577
Transfers out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>147,900</u>	<u>232,477</u>	<u>84,577</u>
NET CHANGE IN FUND BALANCE	36,493	16,493	314,569	298,076
FUND BALANCE, BEGINNING	303,606	303,606	303,606	-
FUND BALANCE, ENDING	<u>\$ 340,099</u>	<u>\$ 320,099</u>	<u>\$ 618,175</u>	<u>\$ 298,076</u>

VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Tax Revenue:				
Taxes - current	\$ 546,500	\$ 546,500	\$ 546,898	\$ 398
Taxes - delinquent	11,000	11,000	11,759	759
Penalty/interest	7,500	7,500	9,319	1,819
Total Property Taxes:	<u>565,000</u>	<u>565,000</u>	<u>567,976</u>	<u>2,976</u>
Property taxes - special road tax:				
Taxes - special road tax - current	420,000	420,000	419,449	(551)
Taxes - special road tax - delinquent	-	-	5,905	5,905
Penalty/interest - special road tax	4,000	4,000	6,021	2,021
Total Property taxes - special road tax	<u>424,000</u>	<u>424,000</u>	<u>431,375</u>	<u>7,375</u>
Intergovernmental Revenues:				
Intergovernmental revenues	-	1,207	1,207	-
Total Intergovernmental Revenues	<u>-</u>	<u>1,207</u>	<u>1,207</u>	<u>-</u>
Permits, Licenses and Fees:				
Other fees	246,686	246,686	248,325	1,639
Total Permits, Licenses and Fees	<u>246,686</u>	<u>246,686</u>	<u>248,325</u>	<u>1,639</u>
Investment Earning:				
Depository interest	1,800	1,800	8,598	6,798
Total Investment Earning	<u>1,800</u>	<u>1,800</u>	<u>8,598</u>	<u>6,798</u>
Other Revenue:				
Other misc. revenue	-	-	282	282
Total Other Revenues	<u>-</u>	<u>-</u>	<u>282</u>	<u>282</u>
Total Revenues	<u>1,237,486</u>	<u>1,238,693</u>	<u>1,257,763</u>	<u>19,070</u>
EXPENDITURES				
Current:				
Highways and bridges	862,849	1,140,326	953,640	186,686
Total Highway and Bridges	<u>862,849</u>	<u>1,140,326</u>	<u>953,640</u>	<u>186,686</u>
Capital Outlay:				
Equipment	-	38,000	36,000	2,000
Total Capital Outlay	<u>-</u>	<u>38,000</u>	<u>36,000</u>	<u>2,000</u>
Debt Service:				
Principal payments	-	25,684	22,338	3,346
Interest and fiscal charges	-	3,741	3,741	-
Total Debt Service	<u>-</u>	<u>29,425</u>	<u>26,079</u>	<u>3,346</u>
Total Expenditures	<u>862,849</u>	<u>1,207,751</u>	<u>1,015,719</u>	<u>192,032</u>
Excess of Revenues Over (Under) Expenditures	<u>374,637</u>	<u>30,942</u>	<u>242,044</u>	<u>211,102</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	109,088	109,088	-
Sale of capital assets	-	20,010	21,465	1,455
Transfers in	-	300,860	300,860	-
Transfers out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>419,958</u>	<u>421,413</u>	<u>1,455</u>
NET CHANGE IN FUND BALANCE	364,637	450,900	663,457	212,557
FUND BALANCE, BEGINNING	(249,428)	(249,428)	(249,428)	-
FUND BALANCE, ENDING	<u>\$ 115,209</u>	<u>\$ 201,472</u>	<u>\$ 414,029</u>	<u>\$ 212,557</u>

VAN ZANDT COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

Budgetary Information

The Commissioners' Court adopted an "appropriated budget" for the General Fund and Road and Bridge Precincts #1 – 4, which is included in the Special Revenue Funds. The County is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The County compares the final amended budget to actual revenue and expenditures.

The following procedures are followed in establishing the budget:

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

COMBINING STATEMENTS

VAN ZANDT COUNTY, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2018

	Law Library	Records Management	Building Security	District Attorney Check Collection
ASSETS				
Cash and investments	\$ 56,220	\$ 568,014	\$ 8,849	\$ 14,525
Receivables (net of allowance of uncollectibles)				
Accounts	2,870	24,186	2,568	11
Due from other Governments	-	-	-	-
	59,090	592,200	11,417	14,536
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,349	10,258	885	86
Accrued liabilities	-	349	2,030	121
Due to other funds	-	-	-	-
	3,349	10,607	2,915	207
DEFERRED INFLOWS OF RESOURCES				
Fund Balances:				
Restricted:				
Court technology and security	-	-	8,502	-
Records management	-	581,593	-	-
Judicial	-	-	-	14,329
Public safety	-	-	-	-
Law library	55,741	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Historical commission	-	-	-	-
Voter registration	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	-	-	-	-
	55,741	581,593	8,502	14,329
Total liabilities and fund balances	\$ 59,090	\$ 592,200	\$ 11,417	\$ 14,536

District Attorney Supplemental	LEOSE	Bullet Proof Vest Grant	Lonestar Library Grant	Justice Court Technology	Chapter 19	Justice Court Building Security
\$ 10,052	\$ 18,725	\$ -	\$ 441	\$ 51,323	\$ 16	\$ 11,629
-	-	-	-	1,271	-	313
-	-	-	-	-	-	-
<u>10,052</u>	<u>18,725</u>	<u>-</u>	<u>441</u>	<u>52,594</u>	<u>16</u>	<u>11,942</u>
289	-	-	-	2	-	125
963	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>125</u>
-	-	-	-	52,592	-	11,817
-	-	-	-	-	-	-
8,800	-	-	-	-	-	-
-	18,725	-	-	-	-	-
-	-	-	441	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	16	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,800</u>	<u>18,725</u>	<u>-</u>	<u>441</u>	<u>52,592</u>	<u>16</u>	<u>11,817</u>
<u>\$ 10,052</u>	<u>\$ 18,725</u>	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ 52,594</u>	<u>\$ 16</u>	<u>\$ 11,942</u>

VAN ZANDT COUNTY, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2018

	County Road Funds	Asset Forfeiture	Abatement Officer	Homeland Security
ASSETS				
Cash and investments	\$ -	\$ 65,946	\$ 171,138	\$ -
Receivables (net of allowance of uncollectibles)				
Accounts	-	-	17,750	-
Due from other Governments	-	-	-	-
	-	-	-	-
Total Assets	-	65,946	188,888	-
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	3,781	3,550	-
Accrued liabilities	-	1,254	3,229	-
Due to other funds	-	-	-	-
	-	-	-	-
Total Liabilities	-	5,035	6,779	-
DEFERRED INFLOWS OF RESOURCES				
Fund Balances:				
Restricted:				
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	60,911	182,109	-
Law library	-	-	-	-
Conservation	-	-	-	-
Economic development	-	-	-	-
Historical commission	-	-	-	-
Voter registration	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	-	-	-	-
	-	-	-	-
Total Fund Balances	-	60,911	182,109	-
Total liabilities and fund balances	\$ -	\$ 65,946	\$ 188,888	\$ -

<u>VOICES Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Projects Roads Precinct #1</u>	<u>Supplemental Guardianship</u>	<u>County Child Abuse</u>	<u>Appellate Justice</u>
\$ -	\$ 203	\$ 8,057	\$ -	\$ 30,340	\$ 7,344	\$ 1,270
-	-	-	-	180	68	410
-	-	-	-	-	-	-
-	<u>203</u>	<u>8,057</u>	-	<u>30,520</u>	<u>7,412</u>	<u>1,680</u>
1,219	-	947	-	-	-	1,260
1,169	-	-	-	-	-	-
<u>7,875</u>	-	-	-	-	-	-
<u>10,263</u>	-	<u>947</u>	-	-	-	<u>1,260</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	30,520	7,412	420
-	203	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	7,110	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(<u>10,263</u>)	-	-	-	-	-	-
(<u>10,263</u>)	<u>203</u>	<u>7,110</u>	-	<u>30,520</u>	<u>7,412</u>	<u>420</u>
<u>\$ -</u>	<u>\$ 203</u>	<u>\$ 8,057</u>	<u>\$ -</u>	<u>\$ 30,520</u>	<u>\$ 7,412</u>	<u>\$ 1,680</u>

VAN ZANDT COUNTY, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2018

	<u>Juvenile Probation</u>	<u>Little Hope Water Supply Grant</u>	<u>Soil Conservation District</u>	<u>ETCOG Residential Grant</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ 14,680	\$ -
Receivables (net of allowance of uncollectibles)				
Accounts	-	-	-	-
Due from other Governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>-</u>	 <u>-</u>	 <u>14,680</u>	 <u>-</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	62,327	-	-	-
Accrued liabilities	5,359	-	-	-
Due to other funds	<u>109,459</u>	<u>-</u>	<u>-</u>	<u>2,032</u>
 Total Liabilities	 <u>177,145</u>	 <u>-</u>	 <u>-</u>	 <u>2,032</u>
 DEFERRED INFLOWS OF RESOURCES				
Fund Balances:				
Restricted:				
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Law library	-	-	-	-
Conservation	-	-	14,680	-
Economic development	-	-	-	-
Historical commission	-	-	-	-
Voter registration	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	<u>(177,145)</u>	<u>-</u>	<u>-</u>	<u>(2,032)</u>
 Total Fund Balances	 <u>(177,145)</u>	 <u>-</u>	 <u>14,680</u>	 <u>(2,032)</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 14,680</u>	 <u>\$ -</u>

Victim Coordinator Grant	Capital Credit Economic Development	Van Tornado Assistance	FEMA Dec 2015 Storm	FEMA April 2016 Storm	Contribution Relief Fund	Total Nonmajor Governmental Funds
\$ -	\$ 254,328	\$ -	\$ -	\$ -	\$ 16,083	\$ 1,309,183
-	-	-	-	-	-	49,627
<u>7,758</u>	<u>-</u>	<u>15,768</u>	<u>-</u>	<u>27,210</u>	<u>-</u>	<u>50,736</u>
<u>7,758</u>	<u>254,328</u>	<u>15,768</u>	<u>-</u>	<u>27,210</u>	<u>16,083</u>	<u>1,409,546</u>
540	-	-	-	-	-	88,618
2,570	-	-	-	-	-	17,044
<u>4,631</u>	<u>-</u>	<u>31,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,446</u>
<u>7,741</u>	<u>-</u>	<u>31,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,108</u>
-	-	-	-	-	-	72,911
-	-	-	-	-	-	581,593
17	-	-	-	-	-	61,498
-	-	-	-	-	-	261,948
-	-	-	-	-	-	56,182
-	-	-	-	-	-	14,680
-	254,328	-	-	-	-	254,328
-	-	-	-	-	-	7,110
-	-	-	-	-	-	16
-	-	-	-	27,210	16,083	43,293
<u>-</u>	<u>-</u>	<u>(15,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,121)</u>
<u>17</u>	<u>254,328</u>	<u>(15,681)</u>	<u>-</u>	<u>27,210</u>	<u>16,083</u>	<u>1,148,438</u>
<u>\$ 7,758</u>	<u>\$ 254,328</u>	<u>\$ 15,768</u>	<u>\$ -</u>	<u>\$ 27,210</u>	<u>\$ 16,083</u>	<u>\$ 1,409,546</u>

VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Law Library	Records Management	Building Security	District Attorney Check Collection
REVENUES				
Permits, licenses and fees	\$ 33,323	\$ 289,961	\$ 29,888	\$ 1,598
Intergovernmental	-	-	-	-
Investment earnings	737	9,977	-	155
Other	1,200	-	-	-
Total Revenues	35,260	299,938	29,888	1,753
EXPENDITURES				
Current:				
General government	1,390	402,532	51,891	4,770
Judicial	28,127	45,689	-	-
Public safety	-	-	-	-
Conservation	-	-	-	-
Total Expenditures	29,517	448,221	51,891	4,770
EXCESS (DEFICIENCY) OVER REVENUES OVER (UNDER) EXPENDITURES	5,743	(148,283)	(22,003)	(3,017)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	26,500	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	-	-	26,500	-
NET CHANGE IN FUND BALANCES	5,743	(148,283)	4,497	(3,017)
FUND BALANCES, BEGINNING	49,998	729,876	4,005	17,346
FUND BALANCES, ENDING	\$ 55,741	\$ 581,593	\$ 8,502	\$ 14,329

<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>	<u>Justice Court Building Security</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,596	\$ -	\$ 3,585
22,500	9,766	-	34	-	623	-
55	-	-	-	527	-	114
-	-	-	-	-	-	-
<u>22,555</u>	<u>9,766</u>	<u>-</u>	<u>34</u>	<u>15,123</u>	<u>623</u>	<u>3,699</u>
25,609	-	-	-	-	623	1,512
-	-	-	-	-	-	-
-	9,116	-	-	-	-	-
-	-	-	-	-	-	-
<u>25,609</u>	<u>9,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623</u>	<u>1,512</u>
(3,054)	650	-	34	15,123	-	2,187
-	-	5,430	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>5,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,054)	650	5,430	34	15,123	-	2,187
<u>11,854</u>	<u>18,075</u>	<u>(5,430)</u>	<u>407</u>	<u>37,469</u>	<u>16</u>	<u>9,630</u>
<u>\$ 8,800</u>	<u>\$ 18,725</u>	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ 52,592</u>	<u>\$ 16</u>	<u>\$ 11,817</u>

VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	County Road Funds	Asset Forfeiture	Abatement Officer	Homeland Security
REVENUES				
Permits, licenses and fees	\$ -	\$ 34,913	\$ 205,020	\$ -
Intergovernmental	-	-	-	-
Investment earnings	-	946	1,121	-
Other	-	-	-	-
	-	-	-	-
Total Revenues	-	35,859	206,141	-
EXPENDITURES				
Current:				
General government	-	49,121	-	-
Judicial	-	-	-	-
Public safety	-	6,409	123,654	-
Conservation	-	-	-	-
	-	-	-	-
Total Expenditures	-	55,530	123,654	-
EXCESS (DEFICIENCY) OVER REVENUES OVER (UNDER) EXPENDITURES	-	(19,671)	82,487	-
OTHER FINANCING SOURCES (USES)				
Transfers in	434	-	-	303
Transfers out	-	(6,500)	-	-
Sale of capital assets	-	5,041	-	-
	-	5,041	-	-
Total Other Financing Sources (Uses)	434	(1,459)	-	303
NET CHANGE IN FUND BALANCES	434	(21,130)	82,487	303
FUND BALANCES, BEGINNING	(434)	82,041	99,622	(303)
FUND BALANCES, ENDING	\$ -	\$ 60,911	\$ 182,109	\$ -

<u>VOICES Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Projects Roads Precinct #1</u>	<u>Supplemental Guardianship</u>	<u>County Child Abuse</u>	<u>Appellate Justice</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,280	\$ 1,657	\$ 4,695
44,398	-	-	-	-	-	-
-	-	116	-	381	74	-
-	-	<u>1,860</u>	-	-	-	-
<u>44,398</u>	-	<u>1,976</u>	-	<u>4,661</u>	<u>1,731</u>	<u>4,695</u>
-	-	4,111	-	1,556	-	-
44,447	-	-	-	-	-	5,880
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>44,447</u>	-	<u>4,111</u>	-	<u>1,556</u>	-	<u>5,880</u>
(49)	-	(2,135)	-	3,105	1,731	(1,185)
-	-	-	-	-	-	-
-	-	-	(172)	-	-	-
-	-	-	-	-	-	-
-	-	-	<u>(172)</u>	-	-	-
(49)	-	(2,135)	(172)	3,105	1,731	(1,185)
<u>(10,214)</u>	<u>203</u>	<u>9,245</u>	<u>172</u>	<u>27,415</u>	<u>5,681</u>	<u>1,605</u>
<u><u>\$(10,263)</u></u>	<u><u>\$ 203</u></u>	<u><u>\$ 7,110</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,520</u></u>	<u><u>\$ 7,412</u></u>	<u><u>\$ 420</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, 2018

	Juvenile Probation	Little Hope Water Supply Grant	Soil Conservation District	ETCOG Residential Grant
REVENUES				
Permits, licenses and fees	\$ 288,132	\$ -	\$ -	\$ -
Intergovernmental	17,937	97,944	-	3,875
Investment earnings	-	-	205	-
Other	42,516	-	-	-
Total Revenues	348,585	97,944	205	3,875
EXPENDITURES				
Current:				
General government	-	97,944	-	4,230
Judicial	-	-	-	-
Public safety	475,615	-	-	-
Conservation	-	-	6,000	-
Total Expenditures	475,615	97,944	6,000	4,230
EXCESS (DEFICIENCY) OVER REVENUES OVER (UNDER) EXPENDITURES	(127,030)	-	(5,795)	(355)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	-	3,000	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	200,000	-	3,000	-
NET CHANGE IN FUND BALANCES	72,970	-	(2,795)	(355)
FUND BALANCES, BEGINNING	(250,115)	-	17,475	(1,677)
FUND BALANCES, ENDING	\$(177,145)	\$ -	\$ 14,680	\$(2,032)

Victim Coordinator Grant	Capital Credit Economic Development	Van Tornado Assistance	FEMA Dec 2015 Storm	FEMA April 2016 Storm	Contribution Relief Fund	Total Nonmajor Governmental Funds
\$ -	\$ 49,939	\$ -	\$ -	\$ -	\$ -	\$ 961,587
38,450	-	166,821	-	320,949	-	723,297
-	3,215	-	-	-	-	17,623
-	-	-	-	-	-	45,576
<u>38,450</u>	<u>53,154</u>	<u>166,821</u>	<u>-</u>	<u>320,949</u>	<u>-</u>	<u>1,748,083</u>
51,035	36,000	-	-	-	-	732,324
-	-	-	-	-	-	124,143
-	-	-	-	-	-	614,794
-	-	-	-	-	-	6,000
<u>51,035</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,477,261</u>
(12,585)	17,154	166,821	-	320,949	-	270,822
12,584	-	12,539	-	-	-	260,790
-	-	(278,743)	(471)	(293,739)	-	(579,625)
-	-	-	-	-	-	5,041
<u>12,584</u>	<u>-</u>	<u>(266,204)</u>	<u>(471)</u>	<u>(293,739)</u>	<u>-</u>	<u>(313,794)</u>
(1)	17,154	(99,383)	(471)	27,210	-	(42,972)
<u>18</u>	<u>237,174</u>	<u>83,702</u>	<u>471</u>	<u>-</u>	<u>16,083</u>	<u>1,191,410</u>
<u>\$ 17</u>	<u>\$ 254,328</u>	<u>\$ (15,681)</u>	<u>\$ -</u>	<u>\$ 27,210</u>	<u>\$ 16,083</u>	<u>\$ 1,148,438</u>

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VAN ZANDT COUNTY, TEXAS

**OTHER SUPPLEMENTARY INFORMATION
DEBT SERVICE FUND**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Original	Budget Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Tax Revenue:				
Taxes - current	\$ 775,651	\$ 775,651	\$ 725,426	\$(50,225)
Taxes - delinquent	20,000	20,000	25,551	5,551
Penalty/interest	<u>10,000</u>	<u>10,000</u>	<u>16,298</u>	<u>6,298</u>
Total Tax Revenue	<u>805,651</u>	<u>805,651</u>	<u>767,275</u>	<u>(38,376)</u>
Investment Earning:				
Depository interest	<u>2,500</u>	<u>2,800</u>	<u>7,761</u>	<u>4,961</u>
Total Investment Earnings	<u>2,500</u>	<u>2,800</u>	<u>7,761</u>	<u>4,961</u>
Total Revenues	<u>808,151</u>	<u>808,451</u>	<u>775,036</u>	<u>(33,415)</u>
EXPENDITURES				
Debt Service:				
Principal payments	1,007,000	1,007,000	1,007,000	-
Interest and fiscal charges	151,894	151,894	151,894	-
Debt service fees	<u>-</u>	<u>300</u>	<u>300</u>	<u>-</u>
Total Debt Service	<u>1,158,894</u>	<u>1,159,194</u>	<u>1,159,194</u>	<u>-</u>
Total Expenditures	<u>1,158,894</u>	<u>1,159,194</u>	<u>1,159,194</u>	<u>-</u>
Net change in fund balance	(350,743)	(350,743)	(384,158)	(33,415)
FUND BALANCE, BEGINNING	<u>883,458</u>	<u>883,458</u>	<u>883,458</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 532,715</u>	<u>\$ 532,715</u>	<u>\$ 499,300</u>	<u>\$(33,415)</u>

VAN ZANDT COUNTY, TEXAS

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS**

SEPTEMBER 30, 2018

	<u>District Clerk</u>	<u>County Clerk</u>	<u>Sheriff</u>	<u>District Attorney</u>
ASSETS				
Cash and Cash equivalents	\$ <u>2,701,032</u>	\$ <u>607,508</u>	\$ <u>88,886</u>	\$ <u>119,086</u>
Total Assets	<u>2,701,032</u>	<u>607,508</u>	<u>88,886</u>	<u>119,086</u>
LIABILITIES				
Due to other agencies and individuals	<u>2,701,032</u>	<u>607,508</u>	<u>88,886</u>	<u>119,086</u>
Total Liabilities	<u>\$ 2,701,032</u>	<u>\$ 607,508</u>	<u>\$ 88,886</u>	<u>\$ 119,086</u>

<u>CSCD</u>	<u>Juvenile Probation</u>	<u>Tax Assessor/ Collector</u>	<u>Justice of the Peace</u>	<u>Constable</u>	<u>Total Agency Funds</u>
\$ <u>958,486</u>	\$ <u>24,497</u>	\$ <u>800,377</u>	\$ <u>30,256</u>	\$ <u>5,529</u>	\$ <u>5,335,657</u>
<u>958,486</u>	<u>24,497</u>	<u>800,377</u>	<u>30,256</u>	<u>5,529</u>	<u>5,335,657</u>
<u>958,486</u>	<u>24,497</u>	<u>800,377</u>	<u>30,256</u>	<u>5,529</u>	<u>5,335,657</u>
\$ <u><u>958,486</u></u>	\$ <u><u>24,497</u></u>	\$ <u><u>800,377</u></u>	\$ <u><u>30,256</u></u>	\$ <u><u>5,529</u></u>	\$ <u><u>5,335,657</u></u>

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COMPLIANCE SECTION

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**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 Members of the Commissioners' Court
Canton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Van Zandt County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Van Zandt County, Texas' basic financial statements, and have issued our report thereon dated June 26, 2019.

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.

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

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

Compliance and Other Matters

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

Van Zandt County, Texas' Response to Findings

Van Zandt County, Texas' response to the findings identified in our audit is described in the accompanying Schedule of Prior Year Findings and Responses. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
June 26, 2019

VAN ZANDT COUNTY, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2018

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

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

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

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

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

Effect: Increased risk of fraud or error.

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

**Responsible Official's
Response:**

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

Current Status: We consider this matter resolved.

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

<u>Criteria:</u>	Incompatible duties should be segregated in order to mitigate fraud risk.
<u>Condition:</u>	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.
<u>Cause:</u>	The Sheriff’s Office has not set up procedures for the month end closing process that have proper segregation of duties.
<u>Effect:</u>	Increased risk of fraud or error.
<u>Recommendation:</u>	To improve controls, the employee who prepares the checks and has custody of the blank check stock should not have signature authority. Also, another employee should be responsible for reviewing signed checks along with their supporting documentation and should distribute them. Unopened bank statements should be received by the elected official for opening and review of the activity for appropriateness. The statement can then be forwarded to the employee responsible for preparing the bank reconciliation. Once complete, the bank reconciliations should be reviewed and approved by the elected official.
<u>Responsible Official’s Response:</u>	The Sheriff’s office has set up procedures for month end closing. The administrative assistant for the jail retrieves all funds from a locked drop box and prepares the deposit on a daily basis. The administrative assistant for the Sheriff’s office is responsible for reconciling all bank statements and preparing the necessary checks. The Sheriff receives the unopened bank statement and reviews the transactions before it is reconciled by the Sheriff’s administrative assistant. Once the checks have been prepared, the Sheriff’s administrative assistant gives them to the authorized signors with an addressed envelope to be sealed and mailed by the signor. The check is not returned to the administrative assistant. Neither assistant is an authorized signor on the checking account. A copy of the reconciled statement is forwarded to the County Auditor each month.
<u>Current Status:</u>	We consider this matter resolved.

Finding 2017-003 – Purchase Order System and Budget Compliance

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

Condition: Expenditures exceeded appropriations in some County departments. Purchase orders were approved for which no budget appropriation was available and no amendment was obtained.

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

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

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

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

Current Status: We consider this matter resolved.

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