

VAN ZANDT COUNTY, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2014

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Zandt County, Texas', as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Van Zandt County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Zandt County, Texas', as of September 30, 2014, 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 required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-8 and 34-43 be presented to supplement the basic financial statements. Such information, although not a part of the

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Zandt County, Texas' basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016 on our consideration of Van Zandt County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Van Zandt County, Texas' internal control over financial reporting and compliance.



Certified Public Accountants

Tyler, Texas
January 14, 2016

**VAN ZANDT COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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, 2014. Please read it in conjunction with the County's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,805,167 (*net position*). Of this amount, \$1,341,998 (*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 \$842,161.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$2,871,603, an increase of \$688,386 in comparison with the prior year. \$134,725 is *available for spending* at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund had a balance of \$140,349.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Funds precincts #1 – 4, and Debt Service, all 6 of which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

During the year, the presentation of the governmental funds was changed to accurately reflect the proper nature of certain funds. Consequently, the presentation for 2013 was changed to reflect this new presentation for comparison purposes. Under the new presentation, the supplemental guardianship fund, county child abuse fund, appellate justice fund and technology resources fund were reclassified from the general fund to special revenue funds. Juvenile probation operating fund and soil conservation district fund were moved from agency funds to special revenue funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the County’s governmental activities increased from \$7,043,747 to \$7,805,167. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,341,998 as of September 30, 2014.

The net position of the County increased by \$842,161 in fiscal year 2014, as opposed to an increase of \$1,188,913 in fiscal year 2013. Total assets increased over fiscal year 2013 by approximately \$331,293. The main factor in this increase was the increases in receivables over fiscal year 2013.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$6,295,608	\$5,140,184
Capital assets	<u>11,942,218</u>	<u>12,766,349</u>
Total assets	18,237,826	17,906,533
Current liabilities	2,982,308	1,360,116
Non current liabilities	<u>7,450,351</u>	<u>9,502,670</u>
Total liabilities	10,432,659	10,862,786
Net position		
Net invested in capital assets	3,751,332	3,617,826
Restricted	2,711,837	2,288,087
Unrestricted	<u>1,341,998</u>	<u>1,137,834</u>
Total net position	<u>\$7,805,167</u>	<u>\$7,043,747</u>

TABLE 2
VAN ZANDT COUNTY, TEXAS
CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Charges for services	\$3,780,014	\$3,645,185
Operating grants and contributions	805,325	379,583
Capital grants and contributions	218,752	3,539
General revenue:		
Property taxes	11,060,377	10,690,389
Miscellaneous	176,597	5,018
Gain (loss) on sale of assets	18,879	85,195
Insurance proceeds	14,845	-
Interest income	2,052	4,203
Total revenues	<u>16,076,841</u>	<u>14,813,112</u>
Expenses:		
General government	3,579,500	3,157,815
Judicial	2,304,376	2,395,608
Public safety	5,464,498	4,469,046
Health and welfare	186,552	86,673
Highways and bridges	3,256,843	2,752,969
Culture and recreation	115,293	111,003
Conservation	78,343	70,426
Sanitation	58,075	121,453
Interest on long-term debt	191,200	459,206
Total expenses	<u>15,234,680</u>	<u>13,624,199</u>
Change in net position	842,161	1,188,913
Prior Period Adjustment	(80,741)	-
Net position beginning of year	<u>7,043,747</u>	<u>5,854,834</u>
Net position End of Year	<u><u>\$7,805,167</u></u>	<u><u>\$7,043,747</u></u>

PRIOR PERIOD ADJUSTMENT

In the government wide presentation, a net prior period adjustment was made to beginning net position of \$(80,741). This prior period adjustment is comprised of a decrease of \$164,330 due to the adoption of GASB statement No. 65 "Items Previously Reported as Assets and Liabilities". Under GASB No. 65, bond issue cost which were previously capitalized and amortized over the life of the bond are now expensed as incurred. As of September 30, 2013, the County had \$164,330 of unamortized bond issue cost. The second prior period adjustment was made to correct an accounting error in recording the liability for compensated absences. As of September 30, 2013, compensated absences were overstated by \$83,589. The adjustment increased net position by the same amount.

In the governmental funds presentation, an accounting error was discovered in the beginning fund balance of the Asset Forfeiture fund and the Voices Grant fund of \$6,016 and \$6,238, respectively. A prior period adjustment for the non-major government funds resulted in a decrease to fund balance of \$12,254.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 11 – 12) reported a combined fund balance of \$2,871,603 which represents a \$688,386 increase from the previous year.

Over the course of the year, the Commissioners' Court amended the County's budget several times. These amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in September of 2013). Also, the second category was the board approving several changes in appropriations to prevent budget overruns.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities	
	2014	2013
Land	\$ 595,749	\$ 595,749
Buildings and improvements	3,657,615	3,934,899
Infrastructure	6,500,671	6,969,287
Machinery and equipment	1,188,183	1,266,414
Total	<u>\$ 11,942,218</u>	<u>\$ 12,766,349</u>

At the end of 2014, the County had approximately \$11,942,218 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings and equipment, transportation equipment, and administrative and maintenance buildings and equipment.

This year's major additions included:

Various vehicles, tractors and equipment: \$297,704

Debt

	Governmental Activities	
	2014	2013
Certificates of obligation	\$ 7,821,000	\$ 8,705,000
Capital leases	369,886	443,523
Compensated absences	406,828	270,558
Total	<u>\$ 8,597,714</u>	<u>\$ 9,419,081</u>

At year-end, the County had \$369,886 in capital leases payable for various County equipment and vehicles. The County issued \$166,960 in new leases and paid \$240,597 in principal payments for the year. The County also had \$7,821,000 of Certificates of Obligation outstanding at year-end. The County paid \$884,000 in principal payments on these obligations in fiscal year 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's General Fund balance of \$165,390 reported on pages 13 and 38 differs from the General Fund's budgetary fund balance of \$(157,307). The main reason for the difference was the County did not use \$532,643 in budgeted expenditures in the district courts.

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

As confirmed by recent U. S. Census figures, Van Zandt County has experienced a population growth of 9.2% since 2000.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. The officials will take additional steps of reductions and increasing revenues as much as possible, although the County also expects expenditures to grow, but at a smaller pace than the increase in revenue.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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VAN ZANDT COUNTY, TEXAS
STATEMENT OF NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>PRIMARY GOVERNMENT</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 3,669,139
Receivables (net of allowance for doubtful accounts)	2,601,428
Prepays and other assets	25,041
Capital assets (net of accumulated depreciation):	
Land	595,749
Buildings	3,657,615
Machinery and equipment	1,188,183
Infrastructure	<u>6,500,671</u>
Total Assets	<u>18,237,826</u>
LIABILITIES	
Vouchers payable	832,801
Salaries payable	367,904
Accrued interest payable	87,574
Bank overdraft	73,307
Due to other governments	33,590
Due to agency funds	308,842
Unearned revenue	130,927
Long-term debt:	
Due within one year	1,147,363
Due in more than one year	<u>7,450,351</u>
Total Liabilities	<u>10,432,659</u>
NET POSITION	
Net investment in capital assets	3,751,332
Restricted for:	
Road and bridge	1,033,825
Court technology and security	895
Records management	296,226
Judicial	75,152
Public safety	135,753
Law library	54,847
Conservation	23,280
Sanitation	203
Historical commission	6,849
Disaster relief	16,083
Capital projects	3,392
Debt service	1,065,332
Unrestricted	<u>1,341,998</u>
Total Net Position	<u>\$ 7,805,167</u>

**VAN ZANDT COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
					PRIMARY GOVERNMENT
					GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental activities:					
General government	\$ 3,579,500	\$ 629,684	\$ 23,653	\$ 218,752	\$ (2,707,411)
Judicial	2,304,376	1,646,055	216,546	-	(441,775)
Public safety	5,464,498	210,694	560,472	-	(4,693,332)
Health and welfare	186,552	-	4,654	-	(181,898)
Highways and bridges	3,256,843	1,178,730	-	-	(2,078,113)
Cultural and recreation	115,293	7,236	-	-	(108,057)
Conservation	78,343	-	-	-	(78,343)
Sanitation	58,075	107,615	-	-	49,540
Interest on long-term debt	191,200	-	-	-	(191,200)
Total primary government	\$ 15,234,680	\$ 3,780,014	\$ 805,325	\$ 218,752	\$ (10,430,589)
General revenues:					
Property taxes					\$ 11,060,377
Investment earnings					2,052
Gain on sale of assets					18,879
Insurance proceeds					14,845
Other					176,597
Total general revenues					<u>11,272,750</u>
Change in net position					842,161
Net position - beginning of year as previously reported					7,043,747
Prior period adjustment					<u>(80,741)</u>
Net position - beginning of year as restated					<u>6,963,006</u>
Net position - end of year					<u>\$ 7,805,167</u>

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

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**VAN ZANDT COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	GENERAL	ROAD AND BRIDGE PRECINCT #1	ROAD AND BRIDGE PRECINCT #2	ROAD AND BRIDGE PRECINCT #3	ROAD AND BRIDGE PRECINCT #4	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and cash equivalents	\$ 1,792,898	\$ 307,178	\$ 212,848	\$ 175,372	\$ 324,643	\$ 244,048	\$ 612,152	\$ 3,669,139
Receivables:								
Property taxes	419,998	22,590	27,579	23,011	22,096	77,234	-	592,508
Other	1,653,309	14,653	16,823	14,727	14,309	-	295,099	2,008,920
Prepaid and other assets	25,041	-	-	-	-	-	-	25,041
Due from other funds	212,339	64,687	49,921	68,850	148,656	811,266	266,220	1,621,939
Total assets	\$ 4,103,585	\$ 409,108	\$ 307,171	\$ 281,960	\$ 509,704	\$ 1,132,548	\$ 1,173,471	\$ 7,917,547
LIABILITIES								
Vouchers payable	\$ 473,259	\$ 31,815	\$ 14,335	\$ 31,645	\$ 53,877	\$ -	\$ 227,870	\$ 832,801
Salaries payable	321,540	8,770	8,198	8,303	8,010	-	13,083	367,904
Bank overdraft	73,307	-	-	-	-	-	-	73,307
Due to other governments	33,590	-	-	-	-	-	-	33,590
Due to agency funds	308,842	-	-	-	-	-	-	308,842
Unearned revenue	-	-	-	-	-	-	130,927	130,927
Due to other funds	1,200,065	105,263	-	122,076	-	-	194,535	1,621,939
Total liabilities	2,410,603	145,848	22,533	162,024	61,887	-	566,415	3,369,310
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-fines	1,163,021	-	-	-	-	-	-	1,163,021
Unavailable revenue-property taxes	364,571	19,386	23,731	19,752	18,957	67,216	-	513,613
Total deferred inflows of resources	1,527,592	19,386	23,731	19,752	18,957	67,216	-	1,676,634
FUND BALANCES								
Nonspendable:								
Prepaid expenditures	25,041	-	-	-	-	-	-	25,041
Restricted for:								
Road and bridge	-	243,874	260,907	100,184	428,860	-	-	1,033,825
Court technology and security	-	-	-	-	-	-	895	895
Records management	-	-	-	-	-	-	296,226	296,226
Judicial	-	-	-	-	-	-	75,152	75,152
Public safety	-	-	-	-	-	-	135,956	135,956
Debt service	-	-	-	-	-	1,065,332	-	1,065,332
Law library	-	-	-	-	-	-	54,847	54,847
Conservation	-	-	-	-	-	-	23,280	23,280
Capital projects	-	-	-	-	-	-	3,392	3,392
Historical commission	-	-	-	-	-	-	6,849	6,849
Disaster relief	-	-	-	-	-	-	16,083	16,083
Unassigned	140,349	-	-	-	-	-	(5,624)	134,725
Total fund balances	165,390	243,874	260,907	100,184	428,860	1,065,332	607,056	2,871,603
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,103,585	\$ 409,108	\$ 307,171	\$ 281,960	\$ 509,704	\$ 1,132,548	\$ 1,173,471	\$ 7,917,547

**VAN ZANDT COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (EXHIBIT 1)
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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

Total fund balances governmental funds (Exhibit 3)	\$	2,871,603
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.		11,942,218
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		1,676,634
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.		(87,574)
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>(8,597,714)</u>
Net position of governmental activities	\$	<u><u>7,805,167</u></u>

VAN ZANDT COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GENERAL	ROAD AND BRIDGE PRECINCT #1	ROAD AND BRIDGE PRECINCT #2	ROAD AND BRIDGE PRECINCT #3	ROAD AND BRIDGE PRECINCT #4	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Property taxes	\$ 7,787,219	\$ 452,052	\$ 539,666	\$ 459,430	\$ 443,419	\$ 1,411,995	\$ -	\$ 11,093,781
Permits, licenses and fees	2,057,791	270,322	319,674	323,276	265,458	-	471,089	3,707,610
Investment earnings	882	100	93	71	238	525	143	2,052
Intergovernmental revenues	249,404	-	-	-	-	-	774,673	1,024,077
Other revenues and fees	103,822	-	80	850	-	-	71,845	176,597
Total revenues	10,199,118	722,474	859,513	783,627	709,115	1,412,520	1,317,750	16,004,117
EXPENDITURES								
Current:								
General government	2,749,762	-	-	-	-	-	247,994	2,997,756
Judicial	2,226,228	-	-	-	-	-	77,931	2,304,159
Public safety	4,303,146	-	-	-	-	-	709,907	5,013,053
Health and welfare	186,552	-	-	-	-	-	-	186,552
Conservation	74,900	-	-	-	-	-	3,000	77,900
Highways and bridges	37,639	574,127	703,172	732,743	800,258	-	-	2,847,939
Cultural and recreation	115,293	-	-	-	-	-	-	115,293
Sanitation	58,075	-	-	-	-	-	-	58,075
Capital outlay	179,729	30,005	-	5,225	-	-	309,581	524,540
Debt service:								
Principal retirement	115,750	13,651	26,987	38,231	45,978	884,000	-	1,124,597
Interest and fiscal charges	10,175	1,544	2,152	2,598	1,809	290,461	-	308,739
Total expenditures	10,057,249	619,327	732,311	778,797	848,045	1,174,461	1,348,413	15,558,603
Excess (deficiency) of revenues over (under) expenditures	141,869	103,147	127,202	4,830	(138,930)	238,059	(30,663)	445,514
OTHER FINANCING SOURCES (USES)								
Capital lease proceeds	166,960	-	-	-	-	-	-	166,960
Insurance proceeds	14,845	-	-	-	-	-	-	14,845
Sale of assets	1,120	-	6,440	50,637	-	-	2,870	61,067
Transfers in	191,841	-	-	-	-	-	90,691	282,532
Transfers (out)	(90,691)	(8,500)	(33,500)	(8,500)	(58,500)	-	(82,841)	(282,532)
Total other financing sources (uses)	284,075	(8,500)	(27,060)	42,137	(58,500)	-	10,720	242,872
Net change in fund balances	425,944	94,647	100,142	46,967	(197,430)	238,059	(19,943)	688,386
Fund balances - Beginning as originally reported	(260,554)	149,227	160,765	53,217	626,290	827,273	639,253	2,195,471
Prior period adjustment	-	-	-	-	-	-	(12,254)	(12,254)
Fund balances, Beginning as restated	(260,554)	149,227	160,765	53,217	626,290	827,273	626,999	2,183,217
Fund balances - Ending	\$ 165,390	\$ 243,874	\$ 260,907	\$ 100,184	\$ 428,860	\$ 1,065,332	\$ 607,056	\$ 2,871,603

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

VAN ZANDT COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Net change in fund balances - total governmental funds	\$ 688,386
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.	(824,131)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	39,000
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.	<u>938,906</u>
Change in net position of governmental activities	<u>\$ 842,161</u>

VAN ZANDT COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT 6

	<u>TOTAL FIDUCIARY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 4,187,375
Due from county	<u>308,842</u>
Total assets	<u>\$ 4,496,217</u>
LIABILITIES	
Due to other agencies and individuals	<u>\$ 4,496,217</u>
Total liabilities	<u>\$ 4,496,217</u>

VAN ZANDT COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities reflects the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Program revenues for governmental activities include those generated from general government, judicial, public safety, highways and bridges, cultural and recreation, and sanitation. Taxes and other items not properly included in program revenues are reported as general revenues.

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

FUND-LEVEL FINANCIAL STATEMENTS

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

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

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

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

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

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, permits, licenses and fees, intergovernmental revenues and investment earnings. Primary expenditures are for general government, judicial, public safety, health and welfare, conservation, highways and bridges, cultural and recreation and sanitation.

The **Road and Bridge Special Revenue Funds** account for the activities associated with the building, maintaining or improving roads, highways, and bridges within the County, including maintenance of road and bridge facilities. Major revenue sources include property taxes and charges for services.

The **Debt Service Fund** is used to account for the payment of the County's debt. Major revenue sources are from property taxes.

Additionally, the County reports the following fund type:

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

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

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

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables. The

property tax receivable allowance is equal to 30 percent of outstanding property taxes as of September 30, 2014.

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

3. Prepaid Items

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

4. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and estimated useful lives in excess of one year. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Machinery and equipment	5-20

5. Compensated Absences

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

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

6. Long-term Obligations

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

effective interest method. Bonds payable are reported net of the applicable bond premium or discount. During the current year, the County implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issue cost are expensed when incurred and a restatement to beginning net position has been made in accordance with this statement.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Estimates

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

9. Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioner's Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioner's

Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Assigned:** This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by the Commissioner’s Court or County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

10. Net Position

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliations between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the “Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.” The detail of the \$1,676,634 difference is as follows:

Property taxes	\$ 513,613
Court receivables	<u>1,163,021</u>
 Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	 <u>\$ 1,676,634</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 \$(8,597,714) difference is as follows:

Certificates of obligation payable	\$ (7,821,000)
Capital leases obligations	(369,886)
Compensated absences	<u>(406,828)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position governmental activities	<u>\$ (8,597,714)</u>

Another element of that reconciliation states that “capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.” The detail of this \$11,942,218 difference is as follows:

Beginning balance of capital assets, net of depreciation	\$ 12,766,349
Capital asset additions, net of retirements	288,626
Depreciation of capital assets, current year	<u>(1,112,757)</u>
	<u>\$ 11,942,218</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that “governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$(824,131) difference is as follows:

Capital outlay	\$ 288,626
Depreciation expense	<u>(1,112,757)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (824,131)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities.” The detail of this \$938,906 difference is as follows:

Capital lease proceeds	\$ (166,960)
Principal payments on long-term debt	1,124,597
Change in accrued interest	117,539
Change in compensated absences	<u>(136,270)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 938,906</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Expenditures Over Appropriations

For the year ended September 30, 2014, expenditures exceeded appropriations within the General Fund's departments as follows: Civil defense (\$50); non-departmental (\$24,810); County treasurer (\$3,641); Data processing (\$10,990); Public buildings (\$919); County court (\$965); Adult district court (\$50,348); Jail (\$202,130); Department of public safety (\$177); Indigent health (\$29,996) and General Fund debt service (\$31,527). In the Road and Bridge Precinct 4 fund, expenditures exceeded appropriations by \$47,657. In the Debt Service fund, expenditures exceeded appropriations by \$8,007.

B. Deficit Fund Balance

The Building Security, Bullet Proof Vest Grant, Chapter 19, Homeland Security, VOICES Grant, and Juvenile Probation funds have deficit fund balances of (\$8,843), (\$5,430), (\$2,887), (\$3,003), (\$2,737), and (\$63,777) respectively. The County plans to cover these deficits with either transfers or greater revenues than expenditures in fiscal year 2015.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	<u>\$ 3,669,139</u>
Total Cash and cash equivalents	<u>\$ 3,669,139</u>
Cash on hand	\$ 40,208
Checking and savings accounts	361,813
External investment pools	<u>3,267,118</u>
	<u>\$ 3,669,139</u>

The carrying amount of the County's cash was \$361,813, and total bank balances equaled \$529,946. The carrying amount of the County's Trust and Agency cash was \$4,187,375 and total bank balances equaled \$3,113,439. The bank deposits were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

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

As of September 30, 2014 the general fund pooled cash account had a negative balance of \$73,307. The general fund covered the negative cash balances in the other funds.

As of September 30, 2014, the County had the following cash equivalents:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,527,512	79
MBIA Class	<u>739,606</u>	67
 Total fair value	 <u>\$ 3,267,118</u>	

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

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

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

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits.

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

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

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

Receivables

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

	<u>General</u>	<u>Road & Bridge</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 599,997	\$ 136,114	\$ 110,336	\$ -	\$ 846,447
Accounts	490,287	60,512	-	295,099	845,898
Fines & Fees	<u>11,630,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,630,216</u>
Gross receivables	<u>12,720,500</u>	<u>196,626</u>	<u>110,336</u>	<u>295,099</u>	<u>13,322,561</u>
Less: allowance for uncollectibles	<u>(10,647,193)</u>	<u>(40,838)</u>	<u>(33,102)</u>	<u>-</u>	<u>(10,721,133)</u>
Net total receivables	<u>\$ 2,073,307</u>	<u>\$ 155,788</u>	<u>\$ 77,234</u>	<u>\$ 295,099</u>	<u>\$ 2,601,428</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General fund:			
Delinquent property taxes receivable	\$ 364,571	\$ -	\$ 364,571
Court fines and fees receivable	1,163,021	-	1,163,021
Road & Bridge 1-4:			
Delinquent property taxes receivable	81,826	-	81,826
Debt service:			
Delinquent property taxes receivable	67,216	-	67,216
Other nonmajor governmental funds:			
Grant funds	-	130,927	130,927
Governmental Funds	<u>\$ 1,676,634</u>	<u>\$ 130,927</u>	<u>\$ 1,807,561</u>

Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications / Adjustments</u>	<u>Ending Balance</u>
Government activities:					
Capital assets, not being depreciated:					
Land	\$ 595,749	\$ -	\$ -	\$ -	\$ 595,749
Total capital assets not being depreciated	<u>595,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,749</u>
Capital assets, being depreciated:					
Buildings and improvements	7,788,798	-	-	-	7,788,798
Machinery and equipment	7,699,323	297,704	140,369	9,295	7,865,953
Infrastructure	8,369,898	-	-	(52,820)	8,317,078
Total capital assets being depreciated	<u>23,858,019</u>	<u>297,704</u>	<u>140,369</u>	<u>(43,525)</u>	<u>23,971,829</u>
Less accumulated depreciation:					
Buildings and improvements	(3,853,899)	(277,284)	-	-	(4,131,183)
Machinery and equipment	(6,432,909)	(419,677)	98,181	76,635	(6,677,770)
Infrastructure	(1,400,611)	(415,796)	-	-	(1,816,407)
Total accumulated depreciation	<u>(11,687,419)</u>	<u>(1,112,757)</u>	<u>98,181</u>	<u>76,635</u>	<u>(12,625,360)</u>
Total capital assets, being depreciated, net	<u>12,170,600</u>	<u>(815,053)</u>	<u>238,550</u>	<u>33,110</u>	<u>11,346,469</u>
Governmental activities capital assets, net	<u>\$ 12,766,349</u>	<u>\$ (815,053)</u>	<u>\$ 238,550</u>	<u>\$ 33,110</u>	<u>\$ 11,942,218</u>

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

Governmental activities:	
General Government	\$ 345,571
Public Safety	346,843
Highways and bridges	<u>420,343</u>
Total depreciation expense - governmental activities	<u>\$ 1,112,757</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Road & Bridge Precinct #1	\$ 105,263
General Fund	Road & Bridge Precinct #3	107,076
Road & Bridge Precinct #1	General Fund	64,687
Road & Bridge Precinct #2	General Fund	49,921
Road & Bridge Precinct #3	General Fund	68,850
Road & Bridge Precinct #4	Road & Bridge Precinct #3	15,000
Road & Bridge Precinct #4	General Fund	133,656
Debt Service Fund	General Fund	811,266
Other Nonmajor Gov Funds	Other Nonmajor Gov Funds	194,535
Other Nonmajor Gov Funds	General Fund	71,685
Total interfund balances		<u><u>\$ 1,621,939</u></u>

	Transfer in		Total
	General	Nonmajor Governmental	
Transfer out:			
General	\$ -	\$ 90,691	\$ 90,691
Road & Bridge 1-4	109,000	-	109,000
Nonmajor governmental	82,841	-	82,841
Total transfers	<u><u>\$ 191,841</u></u>	<u><u>\$ 90,691</u></u>	<u><u>\$ 282,532</u></u>

Capital Leases

The County has acquired certain capital assets for governmental activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The county entered into 2 new capital leases in 2014 for a new IBM computer and data preservation system for \$41,960 and 5 Sheriff's vehicles for \$125,000.

The assets acquired through capital leases are as follows:

Asset:	Cost	Accumulated Depreciation	Net Book Value
(2) Mack Dump Trucks	\$ 196,778	\$ (184,714)	\$ 12,064
(3) Police Interceptors	95,104	(51,924)	43,180
(2) Kubota Tractors	55,706	(18,714)	36,992
IBM 8202 Server	41,960	(6,102)	35,858
Data Preservation System	28,389	(7,783)	20,606
(5) Crown Victoria Police Cruisers	123,502	(29,512)	93,990
(5) Chevy Tahoe Police Vehicles	81,019	(10,915)	70,104
	<u>\$ 622,458</u>	<u>\$ (309,664)</u>	<u>\$ 312,794</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Governmental Activities
2015	\$ 168,152
2016	126,095
2017	71,658
2018	<u>26,956</u>
Total minimum lease payments	392,861
Less: amount representing interest	<u>(22,975)</u>
Present value of minimum lease payments	<u>\$ 369,886</u>

Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Interest</u>
Governmental activities						
Certificates of obligation	\$8,705,000	\$ -	\$ 884,000	\$7,821,000	\$ 910,000	\$253,422
Capital leases	443,523	166,960	240,597	369,886	155,997	12,156
Compensated absences	270,558	495,001	358,731	406,828	81,366	-
Total Governmental activity						
Long-term liabilities	<u>\$9,419,081</u>	<u>\$661,961</u>	<u>\$1,483,328</u>	<u>\$8,597,714</u>	<u>\$1,147,363</u>	<u>\$265,578</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>
2015	\$ 910,000	\$ 253,422	\$ 1,163,422
2016	942,000	222,270	1,164,270
2017	975,000	189,998	1,164,998
2018	1,007,000	156,610	1,163,610
2019	1,045,000	121,985	1,166,985
2020-2023	<u>2,942,000</u>	<u>202,133</u>	<u>3,144,133</u>
Total	<u>\$ 7,821,000</u>	<u>\$ 1,146,418</u>	<u>\$ 8,967,418</u>

5. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss by obtaining property, casualty, liability and other coverage through participation in the Texas Association of Counties – County Government Risk Management Pool, a public entity risk pool. The County pays an annual premium for its coverage. As claims are filed, the County pays the applicable deductible amount and the risk pool pays the additional amounts over the deductible, up to the applicable limit of liability. As of September 30, 2014, the County had no liability for unpaid claims or adjustments under policies carried with the risk pool. During the year ended September 30, 2014, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years, which exceeded insurance coverage carried by the County.

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

6. CONTINGENT LIABILITIES

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

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

7. PENSION PLAN – PRIMARY GOVERNMENT

Plan Description

Van Zandt County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.01% for the months of the accounting year in 2013, and 8.53% for the months of the accounting year in 2014.

The contribution rate payable by the employee members for calendar year 2014 is the rate of 7.00% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Funding Status and Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 14,806,787	\$ 16,324,964	\$ 1,518,177	90.70%	\$ 6,156,507	24.66%

Annual Pension Cost

For the employer's accounting year ended September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$538,455 and the actual contributions were \$538,455.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2013 and December 31, 2012, the basis for determining the contribution rates for calendar years 2013 and 2014. The December 31, 2013, actuarial valuation is the most recent valuation.

Actuarial Methods and Assumptions

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

Trend Information

Fiscal Year	2012	2013	2014
Annual required contribution (ARC)	\$ 482,945	\$ 487,933	\$ 538,455
Interest on net pension obligation	(4,022)	(4,033)	(4,044)
Adjustment to ARC	3,884	3,894	3,894
Annual pension cost	482,807	487,794	538,305
Contributions made	(482,945)	(487,933)	(538,455)
Net pension obligation (asset), beginning of year	(50,275)	(50,413)	(50,552)
Change in net pension obligation (asset)	(138)	(139)	(150)
Net pension obligation (asset), end of year	\$ (50,413)	\$ (50,552)	\$ (50,702)

8. PRIOR PERIOD ADJUSTMENT

During the year, the County implemented GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". Under GASB Statement No. 65, bond issuance costs which were previously amortized over the life of the bond issue are now expensed as incurred. As of September 30, 2013, the County had unamortized bond issuance costs of \$164,330. The remaining unamortized balance was written off as a prior period adjustment upon implementation of GASB Statement No. 65. The prior period adjustment for governmental activities was \$164,330, which resulted in a decrease to net position.

An accounting error was discovered in the beginning balance of compensated absences. The amount reported as of September 30, 2013 was overstated \$83,589. A prior period adjustment for governmental activities resulted in an increase to net position.

An accounting error was discovered in the beginning fund balance of the Asset Forfeiture fund and the Voices Grant fund of \$6,016 and \$6,238, respectively. A prior period adjustment for the non-major government funds resulted in a decrease to fund balance of \$12,254.

9. CHANGE IN PRESENTATION

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

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

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

- Juvenile probation local fund
- Soil conservation district fund

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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**VAN ZANDT COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
 FOR THE EMPLOYEES OF VAN ZANDT COUNTY, TEXAS
 (UNAUDITED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ 13,654,161	\$ 15,358,205	\$ 1,704,044	88.90%	\$ 6,378,696	26.71%
12/31/2012	13,693,639	15,596,266	1,902,627	87.80%	6,230,005	30.54%
12/31/2013	14,806,787	16,324,964	1,518,177	90.70%	6,156,507	24.66%

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes:				
Taxes - current	\$ 7,527,812	\$ 7,527,812	\$ 7,362,558	\$ (165,254)
Taxes - delinquent	200,000	200,000	256,402	56,402
Penalty and collection fees	140,000	140,000	168,259	28,259
Total Property Taxes	7,867,812	7,867,812	7,787,219	(80,593)
Fees of Office:				
County judge	8,000	8,000	8,823	823
County sheriff	60,000	60,000	69,187	9,187
County clerk fees	330,000	330,000	313,728	(16,272)
County library fees	9,000	9,000	7,236	(1,764)
Tyler eagle internet	10,000	10,000	8,823	(1,177)
Tax assessor-collector	295,100	295,100	378,832	83,732
Child safety-tax office	54,000	54,000	79,873	25,873
Capital credits refund	-	30,984	30,984	-
District attorney	15,000	15,000	17,473	2,473
District clerk	109,500	109,500	109,659	159
Justice of the peace	256,500	256,500	229,556	(26,944)
Constable	20,550	20,550	21,266	716
Probation	700	700	122	(578)
Jury fees	7,000	7,000	11,729	4,729
District court	210,000	210,000	179,696	(30,304)
Justice court	380,000	380,000	365,357	(14,643)
Legal fees/reimbursements	107,500	107,500	134,815	27,315
Citizens collection st	63,000	63,000	56,575	(6,425)
Inmate telephone revenue	57,537	57,537	34,032	(23,505)
Total Fees	1,993,387	2,024,371	2,057,766	33,395
Intergovernmental Revenues:				
Intergovernmental revenues	354,817	354,817	249,404	(105,413)
Total Intergovernmental Revenues	354,817	354,817	249,404	(105,413)
Investment Earnings:				
Depository interest	400	400	882	482
Total Investment Earnings	400	400	882	482
Other Revenues and Fees:				
Recycling	1,055	1,929	1,258	(671)
Rentals	7,000	7,000	7,200	200
Party reimbursement	1,500	1,500	609	(891)
Lease - adult probation	2,000	2,000	3,982	1,982
Tax sale excess proceeds	-	-	1,085	1,085
Sale of property	-	1,363	1,391	28
Other revenues	23,500	23,593	83,748	60,155
Voter equipment rental	1,100	1,100	2,000	900
Open records request	-	-	574	574
Grant proceeds	2,500	2,500	2,000	(500)
Total Other Revenues and Fees	38,655	40,985	103,847	62,862
Total Revenues	\$ 10,255,071	\$ 10,288,385	\$ 10,199,118	\$ (89,267)

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES				
General Government:				
County judge	\$ 137,350	\$ 137,350	\$ 132,196	\$ 5,154
Commissioners' court	350	350	230	120
County clerk	275,748	280,373	268,348	12,025
Elections	62,716	62,716	49,235	13,481
Non-department	354,275	385,081	409,891	(24,810)
Contracts	594,184	630,868	607,494	23,374
Civil defense	-	-	50	(50)
Veterans	6,002	6,002	5,889	113
Collection department	72,420	72,420	69,005	3,415
County auditor	177,796	164,796	164,233	563
County treasurer	120,244	121,244	124,885	(3,641)
Tax collector	262,988	263,138	258,702	4,436
Data processing	425,446	425,446	436,436	(10,990)
Public buildings	204,150	222,150	223,033	(883)
Adult probation	600	600	135	465
Total General Government	<u>2,694,269</u>	<u>2,772,534</u>	<u>2,749,762</u>	<u>22,772</u>
Judicial System:				
County court	14,750	14,750	15,715	(965)
Juvenile county court	7,500	7,500	6,642	858
District courts	925,748	925,748	393,105	532,643
Adult district court	269,665	269,665	320,013	(50,348)
Juvenile district court	3,500	3,500	-	3,500
County court at law	371,601	371,601	344,280	27,321
District clerk	222,636	222,636	205,267	17,369
Justices of the peace	485,104	485,104	470,042	15,062
District attorney	490,935	490,935	471,164	19,771
Total Judicial System	<u>2,791,439</u>	<u>2,791,439</u>	<u>2,226,228</u>	<u>565,211</u>
Public Safety:				
Public buildings	-	-	36	(36)
Constables	232,671	231,971	218,804	13,167
Adult probation	1,000	1,000	(47)	1,047
Sheriffs department	2,009,217	2,012,938	1,966,680	46,258
Jail	1,871,986	1,880,986	2,081,477	(200,491)
Department of public safety	36,019	36,019	36,196	(177)
Total Public Safety	<u>4,150,893</u>	<u>4,162,914</u>	<u>4,303,146</u>	<u>(140,232)</u>
Conservation				
Ext. service	77,077	77,077	74,900	2,177
Total Conservation	<u>\$ 77,077</u>	<u>\$ 77,077</u>	<u>\$ 74,900</u>	<u>\$ 2,177</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES (Cont'd)	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Culture and Recreation				
County free library	\$ 106,083	\$ 106,083	\$ 97,770	\$ 8,313
Office	18,725	18,725	17,523	1,202
Total Culture and Recreation	<u>124,808</u>	<u>124,808</u>	<u>115,293</u>	<u>9,515</u>
Highways and Bridges				
Support	37,583	37,583	37,639	(56)
Total Highways and Bridges	<u>37,583</u>	<u>37,583</u>	<u>37,639</u>	<u>(56)</u>
Sanitation				
Collection	60,747	60,747	58,075	2,672
Total Sanitation	<u>60,747</u>	<u>60,747</u>	<u>58,075</u>	<u>2,672</u>
Indigent Health Fund				
Indigent health	15,306	15,306	16,086	(780)
Office	141,250	141,250	170,466	(29,216)
Total Indigent Health	<u>156,556</u>	<u>156,556</u>	<u>186,552</u>	<u>(29,996)</u>
Capital Outlay:				
Data processing	70,000	70,000	-	70,000
Public buildings	3,250	3,250	1,392	1,858
Constable pct. 1	-	-	2,200	(2,200)
Jail	32,533	30,033	31,672	(1,639)
Sheriff department	125,000	125,000	144,465	(19,465)
Total Capital Outlay	<u>\$ 230,783</u>	<u>\$ 228,283</u>	<u>\$ 179,729</u>	<u>\$ 48,554</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES (cont'd.)				
Debt Service:				
Principal	\$ 86,629	\$ 86,629	\$ 115,750	\$ (29,121)
Interest	7,768	7,769	10,175	(2,406)
Total Debt Service	<u>94,397</u>	<u>94,398</u>	<u>125,925</u>	<u>(31,527)</u>
Total Expenditures	<u>10,418,552</u>	<u>10,506,339</u>	<u>10,057,249</u>	<u>449,090</u>
Excess of Revenues Over Expenditures	(163,481)	(217,954)	141,869	359,823
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	195,000	195,000	166,960	(28,040)
Insurance proceeds	12,500	12,500	14,845	2,345
Sale of capital assets	80,500	80,500	1,120	(79,380)
Transfers in	194,706	194,706	191,841	(2,865)
Transfers out	<u>(204,011)</u>	<u>(161,505)</u>	<u>(90,691)</u>	<u>70,814</u>
Total Other Financing Sources (Uses)	<u>278,695</u>	<u>321,201</u>	<u>284,075</u>	<u>(37,126)</u>
NET CHANGE IN FUND BALANCE	115,214	103,247	425,944	322,697
FUND BALANCE, SEPTEMBER 30, 2013	<u>(260,554)</u>	<u>(260,554)</u>	<u>(260,554)</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ (145,340)</u>	<u>\$ (157,307)</u>	<u>\$ 165,390</u>	<u>\$ 322,697</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 1
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Tax Revenue				
Taxes - current	\$ 430,870	\$ 430,870	\$ 425,488	\$ (5,382)
Taxes - delinquent	13,500	13,500	16,553	3,053
Penalty/interest	9,000	9,000	10,011	1,011
Total Tax Revenue	<u>453,370</u>	<u>453,370</u>	<u>452,052</u>	<u>(1,318)</u>
Permits, Licenses and Fees				
Other fees	245,343	245,343	270,322	24,979
Total Permits, Licenses and Fees	<u>245,343</u>	<u>245,343</u>	<u>270,322</u>	<u>24,979</u>
Investment Earning				
Depository interest	60	60	100	40
Total Investment Earnings	<u>60</u>	<u>60</u>	<u>100</u>	<u>40</u>
Total Revenues	<u>698,773</u>	<u>698,773</u>	<u>722,474</u>	<u>23,701</u>
EXPENDITURES				
Current:				
Highways and bridges	643,430	643,430	574,127	69,303
Total Highways and Bridges	<u>643,430</u>	<u>643,430</u>	<u>574,127</u>	<u>69,303</u>
Capital Outlay:				
Equipment	1,800	1,800	30,005	(28,205)
Total Capital Outlay	<u>1,800</u>	<u>1,800</u>	<u>30,005</u>	<u>(28,205)</u>
Debt Service:				
Principal payments	13,673	13,673	13,651	22
Interest and fiscal charges	1,522	1,522	1,544	(22)
Total Debt Service	<u>15,195</u>	<u>15,195</u>	<u>15,195</u>	<u>-</u>
Total Expenditures	<u>660,425</u>	<u>660,425</u>	<u>619,327</u>	<u>41,098</u>
Excess of Revenues Over (Under) Expenditures	38,348	38,348	103,147	64,799
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,500)	(8,500)	(8,500)	-
Total Other Financing Sources (Uses)	<u>(8,500)</u>	<u>(8,500)</u>	<u>(8,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	29,848	29,848	94,647	64,799
FUND BALANCE, SEPTEMBER 30, 2013	149,227	149,227	149,227	-
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ 179,075</u>	<u>\$ 179,075</u>	<u>\$ 243,874</u>	<u>\$ 64,799</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 2
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Tax Revenue				
Taxes - current	\$ 519,035	\$ 519,035	\$ 512,551	\$ (6,484)
Taxes - delinquent	16,500	16,500	15,055	(1,445)
Penalty/interest	13,500	13,500	12,060	(1,440)
Total Tax Revenue	<u>549,035</u>	<u>549,035</u>	<u>539,666</u>	<u>(9,369)</u>
Permits, Licenses and Fees				
Other fees	297,600	297,600	319,674	22,074
Total Permits, Licenses and Fees	<u>297,600</u>	<u>297,600</u>	<u>319,674</u>	<u>22,074</u>
Investment Earning				
Depository interest	300	300	93	(207)
Total Investment Earnings	<u>300</u>	<u>300</u>	<u>93</u>	<u>(207)</u>
Other Revenue				
Other misc. revenue	-	-	80	80
Total Other Revenue	<u>-</u>	<u>-</u>	<u>80</u>	<u>80</u>
Total Revenues	<u>846,935</u>	<u>846,935</u>	<u>859,513</u>	<u>12,578</u>
EXPENDITURES				
Current:				
Highways and bridges	765,645	772,085	703,172	68,913
Total Highways and Bridges	<u>765,645</u>	<u>772,085</u>	<u>703,172</u>	<u>68,913</u>
Capital Outlay:				
Capital outlay lease	-	73,924	-	73,924
Total Capital Outlay	<u>-</u>	<u>73,924</u>	<u>-</u>	<u>73,924</u>
Debt Service:				
Principal payments	13,262	13,262	26,987	(13,725)
Interest and fiscal charges	1,545	1,545	2,152	(607)
Total Debt Service	<u>14,807</u>	<u>14,807</u>	<u>29,139</u>	<u>(14,332)</u>
Total Expenditures	<u>780,452</u>	<u>860,816</u>	<u>732,311</u>	<u>128,505</u>
Excess of Revenues Over (Under) Expenditures	66,483	(13,881)	127,202	141,083
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	73,924	-	(73,924)
Sale of Property	-	6,440	6,440	-
Transfers out	(33,500)	(33,500)	(33,500)	-
Total Other Financing Sources (Uses)	<u>(33,500)</u>	<u>46,864</u>	<u>(27,060)</u>	<u>(73,924)</u>
NET CHANGE IN FUND BALANCE	32,983	32,983	100,142	67,159
FUND BALANCE, SEPTEMBER 30, 2013	160,765	160,765	160,765	-
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ 193,748</u>	<u>\$ 193,748</u>	<u>\$ 260,907</u>	<u>\$ 67,159</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 3
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 438,292	\$ 438,292	\$ 432,816	\$ (5,476)
Taxes - delinquent	16,500	16,500	16,430	(70)
Penalty/interest	13,000	13,000	10,184	(2,816)
Total Tax Revenue	<u>467,792</u>	<u>467,792</u>	<u>459,430</u>	<u>(8,362)</u>
Permits, Licenses and Fees				
Other fees	253,530	253,530	323,276	69,746
Total Permits, Licenses and Fees	253,530	253,530	323,276	69,746
Investment Earning				
Depository interest	565	565	71	(494)
Total Investment Earnings	<u>565</u>	<u>565</u>	<u>71</u>	<u>(494)</u>
Other Revenue				
Donations	-	-	850	850
Total Other Revenue	<u>-</u>	<u>-</u>	<u>850</u>	<u>850</u>
Total Revenues	<u>721,887</u>	<u>721,887</u>	<u>783,627</u>	<u>61,740</u>
EXPENDITURES				
Current:				
Highways and bridges	617,580	756,082	732,743	23,339
Total Highways and Bridges	<u>617,580</u>	<u>756,082</u>	<u>732,743</u>	<u>23,339</u>
Capital Outlay:				
Equipment	5,000	5,350	5,225	125
Total Capital Outlay	<u>5,000</u>	<u>5,350</u>	<u>5,225</u>	<u>125</u>
Debt Service:				
Principal payments	38,231	38,231	38,231	-
Interest and fiscal charges	2,598	2,598	2,598	-
Total Debt Service	<u>40,829</u>	<u>40,829</u>	<u>40,829</u>	<u>-</u>
Total Expenditures	<u>663,409</u>	<u>802,261</u>	<u>778,797</u>	<u>23,464</u>
Excess of Revenues Over (Under) Expenditures	58,478	(80,374)	4,830	85,204
OTHER FINANCING SOURCES (USES)				
Sale of property	-	70,637	50,637	(20,000)
Transfers out	(8,500)	(8,500)	(8,500)	-
Total Other Financing Sources (Uses)	<u>(8,500)</u>	<u>62,137</u>	<u>42,137</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	49,978	(18,237)	46,967	65,204
FUND BALANCE, SEPTEMBER 30, 2013	53,217	53,217	53,217	-
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ 103,195</u>	<u>\$ 34,980</u>	<u>\$ 100,184</u>	<u>\$ 65,204</u>

VAN ZANDT COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD AND BRIDGE - PRECINCT 4
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 422,180	\$ 422,180	\$ 416,907	\$ (5,273)
Taxes - delinquent	17,000	17,000	16,702	(298)
Penalty/interest	11,000	11,000	9,810	(1,190)
Total Tax Revenue	<u>450,180</u>	<u>450,180</u>	<u>443,419</u>	<u>(6,761)</u>
Permits, Licenses and Fees				
Other fees	<u>245,531</u>	<u>245,531</u>	<u>265,458</u>	<u>19,927</u>
Total Permits, Licenses and Fees	<u>245,531</u>	<u>245,531</u>	<u>265,458</u>	<u>19,927</u>
Investment Earning				
Depository interest	<u>685</u>	<u>685</u>	<u>238</u>	<u>(447)</u>
Total Investment Earnings	<u>685</u>	<u>685</u>	<u>238</u>	<u>(447)</u>
Total Revenues	<u>696,396</u>	<u>696,396</u>	<u>709,115</u>	<u>12,719</u>
EXPENDITURES				
Current:				
Highways and bridges	<u>702,468</u>	<u>752,468</u>	<u>800,258</u>	<u>(47,790)</u>
Total Highways and Bridges	<u>702,468</u>	<u>752,468</u>	<u>800,258</u>	<u>(47,790)</u>
Debt Service:				
Principal payments	45,647	45,647	45,978	(331)
Interest and fiscal charges	<u>2,273</u>	<u>2,273</u>	<u>1,809</u>	<u>464</u>
Total Debt Service	<u>47,920</u>	<u>47,920</u>	<u>47,787</u>	<u>133</u>
Total Expenditures	<u>750,388</u>	<u>800,388</u>	<u>848,045</u>	<u>(47,657)</u>
Excess of Revenues Over (Under) Expenditures	(53,992)	(103,992)	(138,930)	(34,938)
OTHER FINANCING SOURCES (USES)				
Sale of property	5,000	5,000	-	(5,000)
Transfers out	<u>(58,500)</u>	<u>(58,500)</u>	<u>(58,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(53,500)</u>	<u>(53,500)</u>	<u>(58,500)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	(107,492)	(157,492)	(197,430)	(39,938)
FUND BALANCE, SEPTEMBER 30, 2013	<u>626,290</u>	<u>626,290</u>	<u>626,290</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ 518,798</u>	<u>\$ 468,798</u>	<u>\$ 428,860</u>	<u>\$ (39,938)</u>

VAN ZANDT COUNTY, TEXAS
NOTES TO DETAILED SCHEDULES OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2014

Budgetary Information

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

The following procedures are followed in establishing the budget:

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

OTHER SUPPLEMENTARY INFORMATION

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Law Library</u>	<u>Records Management</u>	<u>Building Security</u>	<u>District Attorney Check Collection</u>
ASSETS				
Cash and investments	\$ 50,195	\$ 202,441	\$ -	\$ 10,104
Accounts receivable	5,075	41,739	3,644	24
Due from other funds	<u>5,802</u>	<u>133,485</u>	<u>-</u>	<u>6,363</u>
Total assets	<u>\$ 61,072</u>	<u>\$ 377,665</u>	<u>\$ 3,644</u>	<u>\$ 16,491</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,382	\$ 81,439	\$ 87	\$ -
Accrued liabilities	-	-	1,126	-
Unearned revenue	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>11,274</u>	<u>-</u>
Total liabilities	<u>6,382</u>	<u>81,439</u>	<u>12,487</u>	<u>-</u>
Fund balances:				
Restricted				
Court technology and security	-	-	(8,843)	-
Records management	-	296,226	-	-
Judicial	-	-	-	16,491
Public safety	-	-	-	-
Law library	54,690	-	-	-
Conservation	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>54,690</u>	<u>296,226</u>	<u>(8,843)</u>	<u>16,491</u>
Total liabilities and fund balances	<u>\$ 61,072</u>	<u>\$ 377,665</u>	<u>\$ 3,644</u>	<u>\$ 16,491</u>

<u>District Attorney Supplemental</u>	<u>LEOSE</u>	<u>Bullet Proof Vest Grant</u>	<u>Lonestar Library Grant</u>	<u>Justice Court Technology</u>	<u>Chapter 19</u>
\$ 34,526	\$ 1,791	\$ -	\$ -	\$ -	\$ -
-	1,469	-	-	1,051	-
<u>3,555</u>	<u>5,557</u>	<u>-</u>	<u>157</u>	<u>2,759</u>	<u>-</u>
<u>\$ 38,081</u>	<u>\$ 8,817</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 3,810</u>	<u>\$ -</u>
\$ -	\$ 44	\$ -	\$ -	\$ -	\$ -
815	-	-	-	-	-
-	-	-	-	-	-
-	-	5,430	-	-	2,887
<u>815</u>	<u>44</u>	<u>5,430</u>	<u>-</u>	<u>-</u>	<u>2,887</u>
-	-	-	-	3,810	-
-	-	-	-	-	-
37,266	-	-	-	-	-
-	8,773	(5,430)	-	-	-
-	-	-	157	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(2,887)
<u>37,266</u>	<u>8,773</u>	<u>(5,430)</u>	<u>157</u>	<u>3,810</u>	<u>(2,887)</u>
<u>\$ 38,081</u>	<u>\$ 8,817</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 3,810</u>	<u>\$ -</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Justice Court Building Security	County Road Funds	Asset Forfeiture	Abatement Officer
ASSETS				
Cash and investments	\$ -	\$ -	\$ 117,023	\$ 4
Accounts receivable	259	-	804	15,350
Due from other funds	<u>5,785</u>	<u>13,585</u>	<u>34,558</u>	<u>21,009</u>
Total assets	<u>\$ 6,044</u>	<u>\$ 13,585</u>	<u>\$ 152,385</u>	<u>\$ 36,363</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117	\$ -	\$ 150	\$ 160
Accrued liabilities	-	-	42	2,357
Unearned revenue	-	-	-	-
Due to other funds	-	434	-	-
Total liabilities	<u>117</u>	<u>434</u>	<u>192</u>	<u>2,517</u>
Fund balances:				
Restricted				
Court technology and security	5,927	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	13,151	152,193	33,846
Law library	-	-	-	-
Conservation	-	-	-	-
Capital projects	-	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>5,927</u>	<u>13,151</u>	<u>152,193</u>	<u>33,846</u>
Total liabilities and fund balances	<u>\$ 6,044</u>	<u>\$ 13,585</u>	<u>\$ 152,385</u>	<u>\$ 36,363</u>

<u>Homeland Security</u>	<u>VOICES Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Project Roads Precinct #1</u>	<u>Capital Project Roads Precinct #2</u>
\$ -	\$ -	\$ -	\$ 5,002	\$ -	\$ -
615	883	-	-	-	-
<u>-</u>	<u>-</u>	<u>203</u>	<u>1,847</u>	<u>172</u>	<u>1</u>
<u>\$ 615</u>	<u>\$ 883</u>	<u>\$ 203</u>	<u>\$ 6,849</u>	<u>\$ 172</u>	<u>\$ 1</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,618	3,620	-	-	-	-
<u>3,618</u>	<u>3,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
(3,003)	-	203	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	172	1
-	-	-	6,849	-	-
-	-	-	-	-	-
<u>(3,003)</u>	<u>(2,737)</u>	<u>203</u>	<u>6,849</u>	<u>172</u>	<u>1</u>
<u>\$ 615</u>	<u>\$ 883</u>	<u>\$ 203</u>	<u>\$ 6,849</u>	<u>\$ 172</u>	<u>\$ 1</u>

**VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Capital Project Roads Precinct #3</u>	<u>Capital Project Roads Precinct #4</u>	<u>Supplemental Guardianship</u>	<u>County Child Abuse</u>
ASSETS				
Cash and investments	\$ -	\$ -	\$ 11,007	\$ -
Accounts receivable	-	-	780	46
Due from other funds	<u>3,219</u>	<u>-</u>	<u>5,506</u>	<u>2,831</u>
 Total assets	 <u>\$ 3,219</u>	 <u>\$ -</u>	 <u>\$ 17,293</u>	 <u>\$ 2,877</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Restricted				
Court technology and security	-	-	-	-
Records management	-	-	-	-
Judicial	-	-	17,293	2,877
Public safety	-	-	-	-
Law library	-	-	-	-
Conservation	-	-	-	-
Capital projects	3,219	-	-	-
Historical commission	-	-	-	-
Disaster relief	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,219</u>	<u>-</u>	<u>17,293</u>	<u>2,877</u>
 Total liabilities and fund balances	 <u>\$ 3,219</u>	 <u>\$ -</u>	 <u>\$ 17,293</u>	 <u>\$ 2,877</u>

<u>Appellate Justice</u>	<u>Technology Resources</u>	<u>Juvenile Probation</u>	<u>Soil Conservation District</u>	<u>ETCOG Residential Grant</u>
\$ -	\$ -	\$ -	\$ 20,038	\$ -
725	-	153,465	-	4,820
<u>500</u>	<u>1</u>	<u>-</u>	<u>3,242</u>	<u>-</u>
<u>\$ 1,225</u>	<u>\$ 1</u>	<u>\$ 153,465</u>	<u>\$ 23,280</u>	<u>\$ 4,820</u>
\$ -	\$ -	\$ 46,047	\$ -	\$ -
-	-	8,743	-	-
-	-	-	-	-
-	-	162,452	-	4,820
<u>-</u>	<u>-</u>	<u>217,242</u>	<u>-</u>	<u>4,820</u>
-	1	-	-	-
-	-	-	-	-
1,225	-	-	-	-
-	-	(63,777)	-	-
-	-	-	-	-
-	-	-	23,280	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,225</u>	<u>1</u>	<u>(63,777)</u>	<u>23,280</u>	<u>-</u>
<u>\$ 1,225</u>	<u>\$ 1</u>	<u>\$ 153,465</u>	<u>\$ 23,280</u>	<u>\$ 4,820</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Ben Wheeler Water Supply Grant</u>	<u>Little Hope Water Supply Grant</u>	<u>Contribution Relief Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ 144,677	\$ 15,344	\$ -	\$ 612,152
Accounts receivable	64,350	-	-	295,099
Due from other funds	-	-	16,083	266,220
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>209,027</u>	\$ <u>15,344</u>	\$ <u>16,083</u>	\$ <u>1,173,471</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78,100	\$ 15,344	\$ -	\$ 227,870
Accrued liabilities	-	-	-	13,083
Unearned revenue	130,927	-	-	130,927
Due to other funds	-	-	-	194,535
Total liabilities	<u>209,027</u>	<u>15,344</u>	<u>-</u>	<u>566,415</u>
Fund balances:				
Restricted				
Court technology and security	-	-	-	895
Records management	-	-	-	296,226
Judicial	-	-	-	75,152
Public safety	-	-	-	135,956
Law library	-	-	-	54,847
Conservation	-	-	-	23,280
Capital projects	-	-	-	3,392
Historical commission	-	-	-	6,849
Disaster relief	-	-	16,083	16,083
Unassigned	-	-	-	(5,624)
Total fund balances	<u>-</u>	<u>-</u>	<u>16,083</u>	<u>607,056</u>
Total liabilities and fund balances	\$ <u>209,027</u>	\$ <u>15,344</u>	\$ <u>16,083</u>	\$ <u>1,173,471</u>

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VAN ZANDT COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Law Library	Records Management	Building Security	District Attorney Check Collection
Revenues				
Permits, licenses and fees	\$ 28,698	\$ 233,176	\$ 26,908	\$ 2,779
Intergovernmental	-	-	-	-
Investment earnings	19	56	-	2
Other	-	-	-	-
Total revenues	28,717	233,232	26,908	2,781
Expenditures				
Current:				
General government	-	194,981	48,564	-
Judicial	41,765	-	-	1
Public safety	-	-	-	-
Conservation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	41,765	194,981	48,564	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,048)	38,251	(21,656)	2,780
Other Financing Sources (Uses)				
Transfers in	-	-	55,000	-
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	-	-	55,000	-
Net Change in Fund Balances	(13,048)	38,251	33,344	2,780
Fund Balances, Beginning as originally reported	67,738	257,975	(42,187)	13,711
Prior Period Adjustment	-	-	-	-
Fund balances, Beginning as restated	67,738	257,975	(42,187)	13,711
Fund Balances, Ending	\$ 54,690	\$ 296,226	\$ (8,843)	\$ 16,491

<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>
\$ -	\$ -	\$ -	\$ -	\$ 12,967	\$ -
22,500	6,719	-	-	-	-
10	-	-	-	-	-
-	-	624	86	-	-
<u>22,510</u>	<u>6,719</u>	<u>624</u>	<u>86</u>	<u>12,967</u>	<u>-</u>
-	-	-	-	-	7
30,481	-	-	-	-	-
-	4,509	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>30,481</u>	<u>4,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
(7,971)	2,210	624	86	12,967	(7)
-	2,065	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,971)	4,275	624	86	12,967	(7)
45,237	4,498	(6,054)	71	(9,157)	(2,880)
-	-	-	-	-	-
<u>45,237</u>	<u>4,498</u>	<u>(6,054)</u>	<u>71</u>	<u>(9,157)</u>	<u>(2,880)</u>
\$ <u>37,266</u>	\$ <u>8,773</u>	\$ <u>(5,430)</u>	\$ <u>157</u>	\$ <u>3,810</u>	\$ <u>(2,887)</u>

VAN ZANDT COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Justice Court Building Security</u>	<u>County Road Funds</u>	<u>Asset Forfeiture</u>	<u>Abatement Office</u>
Revenues				
Permits, licenses and fees	\$ 3,078	\$ -	\$ 33,344	\$ 121,590
Intergovernmental	-	-	-	18,000
Investment earnings	-	-	34	8
Other	-	-	-	-
Total revenues	<u>3,078</u>	<u>-</u>	<u>33,378</u>	<u>139,598</u>
Expenditures				
Current:				
General government	1,363	-	-	-
Judicial	-	-	-	-
Public safety	-	-	39,394	102,332
Conservation	-	-	-	-
Capital outlay	-	-	-	6,500
Total expenditures	<u>1,363</u>	<u>-</u>	<u>39,394</u>	<u>108,832</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,715	-	(6,016)	30,766
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(75,000)
Sale of assets	-	-	2,870	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>2,870</u>	<u>(75,000)</u>
Net Change in Fund Balances	1,715	-	(3,146)	(44,234)
Fund Balances, Beginning as originally reported	4,212	13,151	161,355	78,080
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(6,016)</u>	<u>-</u>
Fund balances, Beginning as restated	<u>4,212</u>	<u>13,151</u>	<u>155,339</u>	<u>78,080</u>
Fund Balances, Ending	<u>\$ 5,927</u>	<u>\$ 13,151</u>	<u>\$ 152,193</u>	<u>\$ 33,846</u>

<u>Homeland Security</u>	<u>Voices Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Project Roads Precinct #1</u>	<u>Capital Project Roads Precinct #2</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
99,371	43,952	-	-	-	-
-	-	-	1	-	1
-	-	-	2,387	8	-
<u>99,371</u>	<u>43,952</u>	<u>-</u>	<u>2,388</u>	<u>8</u>	<u>1</u>
-	-	-	3,079	-	-
-	-	-	-	-	-
31,085	39,350	-	-	-	-
-	-	-	-	-	-
70,579	-	-	-	-	-
<u>101,664</u>	<u>39,350</u>	<u>-</u>	<u>3,079</u>	<u>-</u>	<u>-</u>
(2,293)	4,602	-	(691)	8	1
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,293)	4,602	-	(691)	8	1
(710)	(1,101)	203	7,540	164	-
-	(6,238)	-	-	-	-
<u>(710)</u>	<u>(7,339)</u>	<u>203</u>	<u>7,540</u>	<u>164</u>	<u>-</u>
<u>\$ (3,003)</u>	<u>\$ (2,737)</u>	<u>\$ 203</u>	<u>\$ 6,849</u>	<u>\$ 172</u>	<u>\$ 1</u>

VAN ZANDT COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Capital Project Roads Precinct #3</u>	<u>Capital Project Roads Precinct #4</u>	<u>Supplemental Guardianship</u>	<u>County Child Abuse</u>
Revenues				
Permits, licenses and fees	\$ -	\$ -	\$ 3,820	\$ 719
Intergovernmental	-	-	-	-
Investment earnings	-	2	3	-
Other	-	11,519	-	-
Total revenues	<u>-</u>	<u>11,521</u>	<u>3,823</u>	<u>719</u>
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	-	1,698	1
Public safety	-	-	-	-
Conservation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,698</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	11,521	2,125	718
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	11,521	2,125	718
Fund Balances, Beginning as originally reported	3,219	(11,521)	15,168	2,159
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning as restated	<u>3,219</u>	<u>(11,521)</u>	<u>15,168</u>	<u>2,159</u>
Fund Balances, Ending	<u>\$ 3,219</u>	<u>\$ -</u>	<u>\$ 17,293</u>	<u>\$ 2,877</u>

<u>Appellate Justice</u>	<u>Technology Resources</u>	<u>Juvenile Probation</u>	<u>Soil Conservation District</u>	<u>ETCOG Residential Grant</u>
\$ 1,540	\$ -	\$ 2,470	\$ -	\$ -
-	-	358,873	-	6,506
-	1	-	6	-
<u>2,540</u>	<u>-</u>	<u>24,848</u>	<u>-</u>	<u>-</u>
<u>4,080</u>	<u>1</u>	<u>386,191</u>	<u>6</u>	<u>6,506</u>
-	-	-	-	-
3,985	-	-	-	-
-	-	486,731	-	6,506
-	-	-	3,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,985</u>	<u>-</u>	<u>486,731</u>	<u>3,000</u>	<u>6,506</u>
95	1	(100,540)	(2,994)	-
-	-	28,626	5,000	-
-	(7,841)	-	-	-
<u>-</u>	<u>(7,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(7,841)</u>	<u>28,626</u>	<u>5,000</u>	<u>-</u>
95	(7,840)	(71,914)	2,006	-
1,130	7,841	8,137	21,274	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,130</u>	<u>7,841</u>	<u>8,137</u>	<u>21,274</u>	<u>-</u>
<u>\$ 1,225</u>	<u>\$ 1</u>	<u>\$ (63,777)</u>	<u>\$ 23,280</u>	<u>\$ -</u>

VAN ZANDT COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Ben Wheeler Water Supply Grant</u>	<u>Little Hope Water Supply Grant</u>	<u>Contribution Relief Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Permits, licenses and fees	\$ -	\$ -	\$ -	\$ 471,089
Intergovernmental	92,850	125,902	-	774,673
Investment earnings	-	-	-	143
Other	13,750	-	16,083	71,845
Total revenues	<u>106,600</u>	<u>125,902</u>	<u>16,083</u>	<u>1,317,750</u>
Expenditures				
Current:				
General government	-	-	-	247,994
Judicial	-	-	-	77,931
Public safety	-	-	-	709,907
Conservation	-	-	-	3,000
Capital outlay	106,600	125,902	-	309,581
Total expenditures	<u>106,600</u>	<u>125,902</u>	<u>-</u>	<u>1,348,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	16,083	(30,663)
Other Financing Sources (Uses)				
Transfers in	-	-	-	90,691
Transfers out	-	-	-	(82,841)
Sale of assets	-	-	-	2,870
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,720</u>
Net Change in Fund Balances	-	-	16,083	(19,943)
Fund Balances, Beginning as originally reported	-	-	-	639,253
Prior Period Adjustment	-	-	-	(12,254)
Fund balances, Beginning as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,999</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,083</u>	<u>\$ 607,056</u>

VAN ZANDT COUNTY, TEXAS
OTHER SUPPLEMENTARY INFORMATION
DEBT SERVICE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Tax Revenue				
Taxes - current	\$ 1,122,650	\$ 1,122,650	\$ 1,330,574	\$ 207,924
Taxes - delinquent	27,500	27,500	43,557	16,057
Penalty/interest	18,500	18,500	28,553	10,053
Other	-	-	9,311	9,311
Total Tax Revenue	<u>1,168,650</u>	<u>1,168,650</u>	<u>1,411,995</u>	<u>243,345</u>
Investment Earning				
Depository interest	535	535	525	(10)
Total Investment Earnings	<u>535</u>	<u>535</u>	<u>525</u>	<u>(10)</u>
Total Revenues	<u>1,169,185</u>	<u>1,169,185</u>	<u>1,412,520</u>	<u>243,335</u>
EXPENDITURES				
Debt Service:				
Principal payments	884,000	884,000	884,000	-
Interest and fiscal charges	282,154	282,154	290,161	(8,007)
Debt Service Fees	300	300	300	-
Total Debt Service	<u>1,166,454</u>	<u>1,166,454</u>	<u>1,174,461</u>	<u>(8,007)</u>
Total Expenditures	<u>1,166,454</u>	<u>1,166,454</u>	<u>1,174,461</u>	<u>(8,007)</u>
Excess of Revenues Over (Under) Expenditures	2,731	2,731	238,059	235,328
FUND BALANCE, SEPTEMBER 30, 2013	<u>827,273</u>	<u>827,273</u>	<u>827,273</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2014	<u>\$ 830,004</u>	<u>\$ 830,004</u>	<u>\$ 1,065,332</u>	<u>\$ 235,328</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>District Clerk</u>	<u>County Clerk</u>	<u>Sheriff</u>	<u>District Attorney</u>	<u>CSCD</u>
ASSETS					
Cash and cash equivalents	\$ 1,602,591	\$ 722,478	\$ 81,507	\$ 100,358	\$ 516,315
Due from county	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,409</u>
Total assets	<u>\$ 1,602,591</u>	<u>\$ 722,478</u>	<u>\$ 81,507</u>	<u>\$ 100,358</u>	<u>\$ 803,724</u>
LIABILITIES					
Due to other agencies and individuals	<u>\$ 1,602,591</u>	<u>\$ 722,478</u>	<u>\$ 81,507</u>	<u>\$ 100,358</u>	<u>\$ 803,724</u>
Total liabilities	<u>\$ 1,602,591</u>	<u>\$ 722,478</u>	<u>\$ 81,507</u>	<u>\$ 100,358</u>	<u>\$ 803,724</u>

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

<u>Juvenile Probation</u>	<u>Tax Assessor / Collector</u>	<u>Justice of the Peace</u>	<u>Constable</u>	<u>Veteran's Memorial Wall</u>	<u>Total Agency Funds</u>
\$ 27,196	\$ 1,081,637	\$ 52,869	\$ 2,423	\$ 1	\$ 4,187,375
21,433	-	-	-	-	308,842
<u>\$ 48,629</u>	<u>\$ 1,081,637</u>	<u>\$ 52,869</u>	<u>\$ 2,423</u>	<u>\$ 1</u>	<u>\$ 4,496,217</u>
<u>\$ 48,629</u>	<u>\$ 1,081,637</u>	<u>\$ 52,869</u>	<u>\$ 2,423</u>	<u>\$ 1</u>	<u>\$ 4,496,217</u>
<u>\$ 48,629</u>	<u>\$ 1,081,637</u>	<u>\$ 52,869</u>	<u>\$ 2,423</u>	<u>\$ 1</u>	<u>\$ 4,496,217</u>

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OTHER REPORTS

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

To the Honorable County Judge
and Commissioners' Court
Van Zandt County, Texas

We have audited, 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, 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, 2014, 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 January 14, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis., We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2014-1, 2014-2, 2014-3, 2014-4, 2014-5, 2014-6, 2014-10, 2014-11, 2014-12, 2014-13, 2014-14, 2014-15, 2014-16, 2014-17, 2014-18, 2014-19, 2014-23 and 2014-24.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: 2014-7, 2014-8 and 2014-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Zandt County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2014-2, 2014-20, 2014-21 and 2014-22.

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Van Zandt County, Texas' Response to Findings

Van Zandt County, Texas' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Van Zandt County, Texas' responses were 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 described the scope of our testing of internal control and compliance and the result 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.



Certified Public Accountants

Tyler, Texas
January 14, 2016

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**VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES**

2014-01 Preparation of Bank Reconciliations

Criteria: Monthly bank reconciliations for County's bank accounts should be prepared timely and accurately using the automated process.

Condition: Reconciled balances per the bank reconciliations for the County's FinClear, County Jury and Payroll Clearing accounts did not agree to the general ledger balances at year end. The reconciled balance for the FinClear account, the main operating account of the County, did not agree to the County's book balance in any one month in fiscal year 2014. Bank reconciliations were not performed timely, as the FinClear September 2014 bank reconciliation was dated November 21, 2014 and the County Jury account bank reconciliation was dated October 24, 2014. Several reconciliations had numbers whited out and amounts handwritten in.

Cause: Lack of controls over the preparation and review of bank reconciliations

Effect: Cash balances on the Statement of Cash Position, which are presented monthly to Commissioners Court, may not reflect the correct balances, since reconciled balances don't agree to the general ledger and reconciliations weren't done timely meaning errors weren't identified timely.

Recommendation: Bank reconciliations should be prepared monthly within one week of receiving the bank statements using the full automated process. The completed bank reconciliations should be reviewed by someone other than preparer to ensure the reconciled balance agrees to the County's books.

County's Response to Finding: We agree with this finding.

2014-02 Pooled Cash (FinClear) Account – Unauthorized Borrowing of Funds

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

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

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

Effect: Debt service cash and other cash intended for specific purposes were borrowed inappropriately. By law, debt service cash can only be used to make debt service payments.

Recommendation: Debt service fund cash and other funds' cash balances intended for specific purposes should be maintained in separate accounts to prevent unauthorized borrowings.

County's Response to Finding: We agree with this finding and have already addressed this issue in that we had the County Treasurer set up a separate account at the bank just for Debt service.

2014-03 Year End Close of County Books

Criteria: The County's books for each fiscal year should be formally closed as soon as possible after each year end.

Condition: The following County fiscal years were determined to still be open: 2009, 2010, 2012, 2013 and 2014.

Cause: Lack of controls and review process over the year end closing process

Effect: Since prior years have not been closed, the County has opened itself up to errors and irregularities as transactions can be posted to those open years. Also, additional work must be performed to ensure fund balance rolls correctly, since revenue and expenditures have not been formally closed into fund balance.

Recommendation: The County Auditor should take immediate action to get prior years closed. Written closing procedures and checklists should be developed and followed annually and management should establish a review process to ensure close out is properly performed.

County's Response to Finding: We agree with this finding.

2014-04 Recording of TexPool Transactions

Criteria: Withdrawals and deposits to the County's TexPool account should be recorded timely and accurately.

Condition: Numerous withdrawal and deposit transactions for TexPool were not recorded timely with some being recorded on the books almost three months after the actual transfer occurred. One withdrawal was noted as being recorded timely, but was recorded backwards. The correction to this error did not occur until two months after the original transaction was recorded.

Cause: Lack of controls over preparation and review of journal entries and reconciliation of the Texpool account

Effect: When transfers relating to TexPool are not recorded timely and properly, end of month cash balances and TexPool balances as reflected on the books are not correct, which results in the County Treasurer presenting an incorrect report to the Commissioners Court monthly. With regard to the withdrawal not recorded properly discussed above, cash was understated by \$600,000 and TexPool was overstated by \$600,000 on the books for two months until the transaction was corrected on the books.

Recommendation: TexPool transactions should be recorded the same day the transaction is initiated. The journal entry should be reviewed and approved by someone other than the preparer to ensure its accurateness.

County's Response to Finding: We agree with this finding.

2014-05 Accounts Payable Processing

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

Condition: During work performed, two instances of duplicate payment of invoices were noted. In one instance, the County identified the duplication and corrected it. However, the other instance was identified as a result of audit work. Upon review of the County's general ledger, numerous instances of duplicate entries and subsequent correction or void checks were noted. The County has no vendor verification process in place to ensure vendors are valid. Vendor checks are prepared by the Treasurer's office, sent to the County Auditor's office for signature and then returned to the County Treasurer for distribution.

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

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

Recommendation: The County should revisit the procedures for accounts payable processing to determine what controls and processes need to be implemented or added to keep errors to a minimum. Bills should always be entered into the system using invoice numbers, not statements, as the system will identify duplicate invoice numbers, as confirmed by Net Data personnel. For those expenditures for which there is no invoice number, the procedure could be simply to pull the vendor file containing previously paid invoices to do a comparison to the invoice currently being processed for payment to make sure it is not a duplicate. If an invoice is incorrect, the vendor should be contacted in order to resolve the discrepancy instead of just making an adjustment to the amount being paid. Personnel in the Treasurer's office should attend additional training on the accounts payable module of the system to ensure it is being used correctly and to its full capability. The County should develop and implement a vendor verification process to mitigate risk of fictitious vendors. The procedure should be performed by the County Auditor's office, since the County Treasurer's office is responsible for setting up vendors in the system. Signed vendor checks should be distributed by personnel other than County Treasurer's office personnel.

County's Response to Finding: The County Commissioner's Court did approve an additional assistant in the Treasurer's Office to handle Human Resources, removing these duties from the other assistant will allow more time for due diligence when processing accounts payable. The County will work on formulating an acceptable Accounts Payable Procedure Guide to implement. The County Treasurer, along with the County Auditor, will work on a Vendor verification process to implement.

2014-06 – County Auditor Required Duties

Criteria: According to Texas Local Government Code, Chapter 115, Subchapter A, Audit Authority of County Auditor, the County Auditor shall have continual access to and shall examine and investigate the correctness of the books, accounts, reports, vouchers and other records of any officer. Complete audits of fee offices should be performed at least once each quarter. For those accounts of law enforcement agencies and the District Attorney composed of money and proceeds of property seized and forfeited to those officials, the County Auditor should conduct an audit at least each county fiscal year or more if the County Auditor chooses.

Condition: The County Auditor did not perform complete audits of fee offices as required by statute. The County Auditor's office reviewed the monthly fee office bank statements, for the most part, and prepared proofs of cash and control of open cases, which shows to whom the fee account cash balance is owed. It was noted where the bank reconciliation prepared by the fee office didn't always agree to the proof of cash prepared by the Auditor's office. Also, unresolved differences were noted between the reconciled cash balance and the total of open cases. A review of the trust CDs held by the County and District Clerks which totaled over \$769,000, was not performed by the Auditor's office. An analysis of the bank activity was not performed for March through September 2014 for the following accounts: Tax Assessor/Collector's alcohol, boat registration and VIT escrow accounts.

Cause: Inadequate staff size in the Auditor's office and lack of supervision to ensure completeness of work performed.

Effect: The risk of errors and fraud occurring in the County fee offices is increased to a very high level without the performance of audits by the County Auditor's office.

Recommendation: The County Auditor's office should conduct complete audits of fee offices as required by statute. An audit schedule as well as audit programs should be developed using available resources. When reviewing bank statements prepared by the fee offices, if errors are found, they should be communicated to the fee office personnel so corrections can be made for a given month and going forward. The County Auditor and fee office personnel should work together to resolve differences noted between the reconciled cash balance and the total of open cases so corrections may be made. Since funds in these accounts can be owed to entities other than the County, the fee office should be able to identify to whom cash balances are owed. The County Auditor's office should review the monthly bank statements for all fee offices, including the trust CDs held by the County and District Clerks.

County's Response to Finding: We agree. This is one of the first issues addressed by the County Auditor when he was appointed. All departments are now being audited on a consistent basis. The assistant auditors are working together in a joint effort to ensure that correct and accurate accounting procedures are being followed.

2014-07 – Constable Precinct #3 Bank Account and Monthly Report

Criteria: According to *Texas Local Government Code Section 115.901*, "the County Auditor shall examine the accounts, dockets and records of each clerk, justice of the peace, and constable, and of the sheriff and county tax assessor-collector to determine if any money belonging to the County and in the possession of the office has not been accounted for and paid over according to law."

Condition: Constable Precinct #3 failed to remit his monthly bank statements to the County Auditor's office for review. The fees collected by the Constable were not remitted to the County depository monthly.

Cause: Lack of cooperation with regards to County procedure

Effect: The County Auditor was unable to complete examination of the Constable's account as required by statute outlined above. The funds could not be used to meet the County's obligations while being held in the Constable's account.

Recommendation: Constable Precinct #3 should remit bank statements monthly to the County Auditor's office for review. A report to the Treasurer of fees collected along with a check to the County's depository should be prepared and remitted to the County Treasurer monthly.

County's Response to Finding: The Constable has always presented his bank statements when requested. In the future, bank statements will be turned in monthly to the County Auditor. The Justice Court will now turn over the Constable's fees directly to the Treasurer to prevent any delay. The Constable will begin depositing his out of county fees directly to the Treasurer and forego depositing fees into his constable account.

2014-08 – County Clerk General Account

Criteria: The County's portion of fees collected should be remitted to the County Treasurer's office in a timely manner as required by the County Auditor's office so the cash is available to meet the County's obligations.

Condition: The County's portion of fees collected for August 2014 were not remitted to the County until September 30, 2014 and fees collected for September 2014 were not remitted until October 28, 2014, which is not considered timely.

Cause: Lack of cross training in office as well as difficulty in reconciling the General Account bank balance.

Recommendation: The General account bank statement should be reconciled within a week of its receipt. If reconciling the month in its entirety is difficult and time consuming, then online access to the bank account should be used to reconcile more frequently, such as daily or weekly. Cross training should occur in the fee office so that another employee knows how to reconcile bank statements, prepare monthly reports to the County Treasurer and remit County revenue to the Treasury in the absence of the County official.

County's Response to Finding: The current County Clerk was not the clerk during this time period.

2014-09 – District Clerk General Account

Criteria: The County's portion of fees collected should be remitted to the County Treasurer's office in a timely manner as required by the County Auditor's office so the cash is available to meet the County's obligations.

Condition: The County's portion of fees collected for August 2014 was not remitted to the County until September 30, 2014, which is not considered timely.

Cause: Lack of cross training in office as well as difficulty in reconciling the General Account bank balance.

Recommendation: The General account bank statement should be reconciled within a week of its receipt. If reconciling the month in its entirety is difficult and time consuming, then online access to the bank account should be used to reconcile more frequently, such as daily or weekly. Cross training should occur in the fee office so that another employee knows how to reconcile bank statements, prepare monthly reports to the County Treasurer and remit County revenue to the Treasury in the absence of the County official.

County's Response to Finding: The fees collected in the District Clerk's office are generally remitted to the County Treasurer in a timely manner; but due to unforeseen circumstances in August of 2014, the District Clerk's office lost two employees to better paying jobs. That is half of the staff. So therefore the Clerk, who reconciles the bank statements, had to take on the daily duties of this office that could not be ignored by law and it was not due to absence of the Clerk. The District Clerk was not aware of the checks that were signed by the Chief Deputy, needed to be distributed by the same, but will put this recommendation into place immediately. The lack of cross training in this office is due to being understaffed, so therefore to meet this cause, this office will ask for an additional employee in the next budget year.

2014-10 – Dismissal of Cases by Jail Time Served – JP #1, #3 and #4

Criteria: Justices of the Peace case files should contain proper proof of jail time served when a defendant's case is dismissed for said jail time served. The potential fraud risk is high as fines could be collected from the defendant and the cash pocketed by personnel handling cash receipts with the case then being dismissed by jail time served code when no jail time was actually served.

Condition: During the review of the JP's dockets, instances were noted in which a case was dismissed for jail time served, but no support was noted in the files reviewed or the support was inadequate, such as a handwritten letter from the defendant, for the dismissal was found in the file.

Cause: Break down in control over noncash adjustments

Recommendation: For all cases dismissed by jail time served, adequate proof of the jail time served should be obtained from the County/facility in which the time was served and maintained in the defendant's case file.

County's Response to Finding: Documentation from the county or facility where defendant serves time in jail is now being kept in defendant's case file. Docket notation of the county where time is served is being placed on jail time receipt. Judge is signing off on all jail time records as per auditor's recommendation.

2014-11 – Use of Signature Stamp on Judicial Documents – JP#1, #2 and #3

Criteria: Judges' original signature should be used on judicial dismissal documents to deter any fraudulent dismissal of cases and theft of funds collected.

Condition: During the review of the JP's dockets, it was noted a stamp was used for the Judge's signature on numerous dismissals.

Cause: Lack of control over use of signature stamp

Recommendation: Official dismissal documents should be signed manually by the County official. The Judge should maintain possession of the signature stamp for her/his use only.

County's Response to Finding: All Judges responded that they have taken measures to prevent unauthorized use of their signature stamps, and they maintain possession of their stamps.

2014-12 – Segregation of Duties – County Treasurer's Office

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

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

Cause: Lack of proper controls

Recommendation: Duties should be split with the County Treasurer and access to check stock and undeposited funds should be limited. The hiring of an additional assistant to assign some of the duties would also help establish proper control.

County's Response to Finding: The hiring of a second assistant in the Treasurer's Office will help in splitting out the duties. Although the second assistant's job will primarily be to handle Human Resources we believe this person, along with the Treasurer, will handle all receipting. The Treasurer will begin signing on all checks as well as opening the mail.

2014-13 – Segregation of Duties – County Clerk's Office

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

Condition: Improper segregation of duties was noted as the County Clerk handles deposits, disbursements and reconciling of the bank statement.

Cause: Lack of proper controls

Recommendation: Duties should be split with the County Clerk's First Assistant to provide proper segregation.

County's Response to Finding: Under staffing is the main problem. The First Assistant is covered with e-filing, probate, juvenile, front counter, helping with deposits and helping with bank statements. We strive to do the best job we can do with the tools provided to our office.

2014-14 – Segregation of Duties – District Attorney's Office

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

Condition: Improper segregation of duties was noted as the same employee is responsible for receiving and opening the mail, issuing receipts, preparing cash disbursements, and reconciling the bank statements. The employee also has access to blank check stock and is an authorized signer on the bank accounts.

Cause: Lack of proper controls

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

County's Response to Finding: Response 1 - The Van Zandt County Criminal District Attorney's Office (hereinafter VZCCDA) has insufficient staff to accomplish the various changes recommended. The office is only staffed for one hot check collection employee. Due to insufficient personnel, the hot check collection staff individual is also tasked with performing public reception duties, including receiving the mail. Response 2 – The VZCCDA relies upon the Van Zandt County Auditor's Office to perform second level bank statement reconciliations. Response 3 – The fund disbursement process within the VZCCDA requires two signatures on negotiable instruments. The hot check collection staff member and the elected VZCCDA each endorse said negotiable instruments.

2014-15 – Segregation of Duties – JP #1

Criteria: Supervisory review of work performed by clerks should be performed by elected official to mitigate fraud risk.

Condition: The office of JP#1 is a three person office consisting of the JP and two clerks. All duties are performed by the two clerks, including receipting of funds collected, check preparation and reconciling of bank statement. Two signatures are required on checks and the JP's must be one of them. The JP performs no review of deposits, daily reports or the bank reconciliation.

Cause: Lack of supervisory controls

Recommendation: The elected official should take a more active roll in the operation of the office to deter potential fraudulent activity. The JP should review the deposit slips, compare them to the daily reports and take the deposit to the bank. The JP should also receive the unopened bank statement each month to review activity for appropriateness prior to giving to clerks to reconcile. The JP should also review the monthly bank reconciliations for accurateness.

County's Response to Finding: The Judge has agreed to follow the recommendation of the auditors.

2014-16 – Segregation of Duties – JP #3

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

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

Cause: Lack of supervisory controls

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

County's Response to Finding: The Judge has agreed to follow the recommendation of the auditors.

2014-17 – Segregation of Duties – Tax Assessor/Collector

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 Tax Assessor/Collector prepares the checks and signs them. The checks are then given to the deputy clerk for review and second signature. The deputy clerk returns the signed checks to the Tax Assessor/Collector for disbursing. The Tax Assessor/Collector is also responsible for reconciling the bank statement. Fraud risk is increased as the person preparing the checks should not distribute the checks and reconcile the bank statement. Checks could potentially be altered and concealed since the person preparing the checks and distributing them also reconciles the bank statement.

Cause: Improper segregation of duties

Recommendation: The deputy clerk responsible for reviewing the checks and signing as the second signature should distribute the checks. They should not be returned to the Tax Assessor/Collector.

County's Response to Finding: Tax Assessor has discussed with deputy clerks responsibility for reviewing the checks and signing as the second signature that they are responsible for distributing the checks to the appropriate person or business and that the checks should not be returned to the Tax Assessor for distribution.

The deputy clerk assigned to the 1:00 p.m. lunch rotation schedule will make the daily bank deposit and daily delivery of mail and any other necessary documents to the courthouse.

The Chief Deputy Clerk Brittany McKinney, Deputy Clerk Phillis Humphrey and Shay Melton have all signed a memorandum acknowledging by their signature that they understand the above procedures.

2014-18 – Segregation of Duties – Sheriff's Office

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

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

Cause: Improper segregation of duties

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

County's Response to Finding: The Sheriff fully concurs with the findings of the outside auditor and has brought these issues to the attention of Chief Bates and Chief Flowers who are coordinating the segregation of duties with administrative staff.

2014-19 – Segregation of Duties – District Clerk's Office

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 District Clerk prepares the checks and signs them along with the chief deputy. The District Clerk is also responsible for mailing the signed checks as well as reconciling the bank statement. Fraud risk is increased as the person preparing the checks should not distribute the checks and reconcile the bank statement. Checks could potentially be altered and concealed since the person preparing the checks and distributing them also reconciles the bank statement.

Cause: Improper segregation of duties

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

County's Response to Finding: See response at 2014-9.

2014-20 – Receipting of ACH & EFT Transactions

Criteria: According to Texas Local Government Code Title 4, Subtitle B, Chapter 113, Section 113.003, "the County Treasurer shall receive all money belonging to the County from whatever source it may be derived

Condition: The County Auditor's Office is receipting ACH and EFT transactions.

Cause: Noncompliance with Local Government Code

Recommendation: The County Treasurer's Office should receipt all ACH and EFT transactions.

County's Response to Finding: All transactions will be receipted by the Treasurer's Office.

2014-21 – Budget Amendments

Criteria: According to Texas Local Government Code Section 111.010(b) and (c), “after final approval of the budget, the Commissioners Court must spend county funds in strict compliance with the budget, except in an emergency. The Commissioners Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.”

Condition: The County is declaring unnecessary emergencies to amend the budget.

Cause: Failure to properly interpret Texas Local Government Code

Recommendation: The County Auditor should review the Code discussing budget amendments to gain a thorough understanding of how the County’s budget is to be amended to ensure compliance with the Code.

County’s Response to Finding: The County agrees with this finding and is addressing the budget amendment process to ensure compliance with the Local Government Code.

2014-22 – Purchases Orders and Budget Compliance

Criteria: The County’s purchasing policy states all County departments, with the exception of Road and Bridge, must obtain purchase orders for all purchase over \$100. Road and Bridge purchases exceeding \$500 require purchase orders be obtained prior to making purchases. The purchase order system’s purpose is to give the County Auditor means for overseeing the warrant process to ensure that the expenses of any department do not exceed the budget appropriations for that department, which is outlined in Texas Local Government Code Section 111.092.

Condition: County departments did not obtain purchase orders as required by County Policy. County Commissioners made purchases of approximately \$31,000 and the Sheriff’s Department made purchases of approximately \$55,000 without obtaining purchase orders. The County Auditor’s office approved purchase orders for other expenditures for which no budget appropriation was available. Thus, expenditures exceeded appropriations in several County departments. As a result, the County finances, and cash flow, are negatively impacted.

Cause: Failure to comply with County policy and Texas Local Government Code

Recommendation: To comply with County policy and Texas Local Government Code and to improve the County’s finances, all departments should obtain purchases orders when required by policy. The County Auditor should not issue purchase orders unless an unexpended balance remains in the line item to which the department is requesting the purchase be charged. Budget amendments, including line item transfers, should be prepared and approved by Commissioners Court, prior to 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 to reduce expenditures and improve County’s finances.

County’s Response to Finding: The County Judge completely agrees with this comment. All departments should obtain Purchase Orders to comply with the Law as well as the County Policy. The County Auditor should monitor all departments’ budgets to confirm that monies are available within each department’s budget and line item before issuing a Purchase Order. If there are not sufficient funds within a particular line item then require the Elected Official or Department Head to prepare a Line item transfer

and present it before the Commissioners Court for approval (prior to the purchase). The Court is closely monitoring and addressing all transactions as of date in order to identify the County's current financial position

2014-23 – Fixed Assets

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

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

Cause: Inadequate system of tracking fixed asset additions and deletions

Recommendation: The County should develop and implement a system for identifying new fixed asset additions so that they may be properly added to the listing at the time purchase is being made. A system for tracking asset deletions should also be developed and implemented. The County should conduct a complete and thorough inventory of fixed assets in order to properly update the fixed asset listing.

County's Response to Finding: We agree. We feel that this issue is currently being addressed in that the County Auditor's assistants are working on inventory control. They monitor new asset additions as well as all fixed asset deletions. The Auditor's Office is consistently performing routine inventories of all departments.

2014-24 – Adjusting Journal Entries

Criteria: Adjusting journal entries are used to update the County's accounts contained in the general ledger and bring them to their correct balances. The use of journal entries is a common method of committing fraud against an organization and is thus a fraud risk. For this reason, all adjusting journal entries should be maintained and should reflect a thorough description as to why the entry is being made, should have adequate supporting documentation attached and should be approved by someone other than the individual preparing and posting the entry.

Condition: Numerous adjusting entries could not be located. Numerous instances of adjusting entries with no supporting documentation and inadequate descriptions were noted. Numerous entries to correct initial recordings of cash receipts and disbursements were noted on the general ledger as well as several entries being made in an attempt to correct one error. Numerous entries were prepared, posted and approved by the same employee.

Cause: Lack of controls with regards to adjusting journal entries

Recommendation: All adjusting journal entries should reflect a thorough description explaining why the entry is being made and proper supporting documentation should be attached to substantiate the dollar amounts reflected in the entries. All adjusting entries should be maintained and should be approved and signed off on by an employee other than the one preparing the entry. With regards to the numerous entries being made to correct one error, the issue should be reviewed thoroughly to obtain a complete understanding prior to making any correcting entries so the correct adjusting entry is made the first time

thus requiring no other adjusting entries. With regards to numerous entries necessary to correct cash receipts and disbursements, due care should be exercised by the employee(s) making the initial entry into the County's general ledger to ensure line items are correct. If the County Auditor office identifies receipts and expenditures coded to the incorrect line items, an entry must be prepared to correct it. However, the County Auditor's office should go over the error with the employee making the initial posting to the County's books so subsequent errors can be avoided and reduce the number of correcting journal entries needing to be made.

County's Response to Finding: This issue has been discussed with the employees of the Auditor's Office. We expressed the importance of proper supporting documentation and also the fact that a better filing system needed to be implemented so as to eliminate lost files. We also upgraded our numbering system in an effort to eliminate duplication of journal entry numbers. With regards to approval of the journal entries, the person making the journal entry is to get the auditor to sign off on the journal entry before the entry is made.