

**VAN ZANDT
COUNTY, TEXAS**

FINANCIAL STATEMENTS

**YEAR ENDED
SEPTEMBER 30, 2013**

**Prepared by:
Van Zandt County Auditor's Office**

John Shinn, County Auditor

VAN ZANDT COUNTY, TEXAS

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and 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, 2013, 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

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–9 and 33–39 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 the Van Zandt County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the 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 of Van Zandt County, Texas' internal control over financial reporting and compliance.

Pattillo, Brown + Hill, L.L.P.

Waco, Texas
November 6, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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VAN ZANDT COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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, 2013. Please read it in conjunction with the County's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,077,144 (*net position*). Of this amount, \$1,190,505 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$1,248,988.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$2,166,059, an increase of \$687,231 in comparison with the prior year. \$(331,039) 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 \$(257,430).

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 28 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 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the County’s governmental activities increased from \$5,828,156 to \$7,077,144. 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 – were \$1,190,505 as of September 30, 2013.

The net position of the County increased by \$1,248,988 in FY 2013 as opposed to an increase of \$1,002,911 in FY 2012. Total assets decreased over FY 2012 by approximately \$520,153. The main factor in this decrease was the decreases in receivables and capital assets due to depreciation. Liabilities decreased approximately \$1,769,141 million over FY 2012. This was also mainly due to the reduction of other liabilities and repayment of debt.

TABLE 1

VAN ZANDT COUNTY, TEXAS

NET POSITION

	Governmental Activities	
	2013	2012
Current and other assets	\$ 5,071,882	\$ 5,061,610
Capital assets	12,766,349	13,296,774
Total assets	<u>17,838,231</u>	<u>18,358,384</u>
Long-term liabilities	9,502,670	10,599,117
Other liabilities	1,258,417	1,931,111
Total liabilities	<u>10,761,087</u>	<u>12,530,228</u>
Net position:		
Net investment in capital assets	3,617,826	3,119,879
Restricted	2,268,813	2,168,358
Unrestricted	<u>1,190,505</u>	<u>539,919</u>
Total net position	<u>\$ 7,077,144</u>	<u>\$ 5,828,156</u>

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

	Governmental Activities	
	2013	2012
REVENUES		
Program revenue:		
Charges for services	\$ 3,644,940	\$ 3,439,689
Operating grants and contributions	351,973	276,547
Capital grants and contributions	3,539	133,889
General revenue:		
Property taxes	10,690,389	10,727,725
Investment earnings	4,185	4,602
Miscellaneous	148,671	499,134
Total revenues	<u>14,843,697</u>	<u>15,081,586</u>
EXPENSES		
General government	3,157,815	2,760,547
Judicial	2,395,608	2,570,316
Public safety	4,442,556	4,334,678
Health and welfare	86,673	146,492
Public transportation	2,752,969	3,493,935
Culture and recreation	111,003	106,343
Conservation	67,426	65,381
Sanitation	121,453	153,581
Interest on long-term debt	459,206	447,402
Total expenses	<u>13,594,709</u>	<u>14,078,675</u>
DECREASE IN NET POSITION	1,248,988	1,002,911
NET POSITION BEGINNING OF YEAR	<u>5,828,156</u>	<u>4,825,245</u>
NET POSITION END OF YEAR	<u>\$ 7,077,144</u>	<u>\$ 5,828,156</u>

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 13 – 14) reported a combined fund balance of \$2,166,059 which represents a \$687,231 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 2012). Also, the second category was the Board approving several changes in appropriations to prevent budget overruns.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the County had approximately \$12,766,349 (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 County road additions	\$ 317,910
Various County vehicles & tractors	230,065

Debt

At year-end, the County had \$443,523 in capital leases payable for various County equipment and vehicles. The County issued \$153,139 in new leases and paid \$329,511 in principal payments for the year. The County also had \$8,705,000 of Certificates of Obligation outstanding at year-end. The County paid \$852,000 in principal payments on these obligations in fiscal year 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's General Fund balance of \$(234,258) reported on pages 15 and 36 differs from the General Fund's budgetary fund balance of \$(1,558,753). The main reason for the difference was the County did not transfer \$820,000 in total to the capital project funds for each of the precincts and these transfers were budgeted.

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. The County did not have significant adjustments to the original budgets.

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 2014 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

SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,815,963
Receivables, net of allowance for uncollectible	1,998,152
Due from other governments	19,710
Prepaid expenses	23,172
Deferred charges	164,333
Net pension asset	50,552
Capital assets:	
Land	595,749
Buildings and improvements	7,788,798
Machinery and equipment	7,699,323
Infrastructure	8,369,898
Less: accumulated depreciation	(11,687,419)
Total capital asset, net	<u>12,766,349</u>
Total assets	<u>17,838,231</u>
LIABILITIES	
Accounts payable	900,721
Accrued liabilities	143,662
Interest payable	205,113
Due to other governments	8,921
Noncurrent liabilities:	
Due within one year	1,100,967
Due in more than one year	<u>8,401,703</u>
Total liabilities	<u>10,761,087</u>
NET POSITION	
Net investment in capital assets	3,617,826
Restricted for:	
Road and bridge	989,499
Court technology and security	4,212
Records management	257,975
Judicial	126,686
Public safety	4,498
Debt service	622,160
Law library	71
Sanitation	239,638
Capital projects	16,534
Historical Commission	7,540
Unrestricted	<u>1,190,505</u>
Total net position	<u>\$ 7,077,144</u>

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

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VAN ZANDT COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 3,157,815	\$ 496,154	\$ 39,543	\$ -	\$(2,622,118)
Judicial	2,395,608	1,611,249	178,596	-	(605,763)
Public safety	4,442,556	222,140	82,564	3,539	(4,134,313)
Health and welfare	86,673	-	51,270	-	(35,403)
Highways and bridges	2,752,969	1,213,336	-	-	(1,539,633)
Culture and recreation	111,003	8,142	-	-	(102,861)
Conservation	67,426	-	-	-	(67,426)
Sanitation	121,453	93,919	-	-	(27,534)
Interest on long-term debt	459,206	-	-	-	(459,206)
Total governmental activities	<u>\$ 13,594,709</u>	<u>\$ 3,644,940</u>	<u>\$ 351,973</u>	<u>\$ 3,539</u>	<u>\$(9,594,257)</u>
 General revenues:					
Taxes:					
Property, general purposes					\$ 9,300,471
Property, debt service					1,389,918
Investment earnings					4,185
Gain on sale of capital assets					85,195
Other					<u>63,476</u>
Total general revenues					<u>10,843,245</u>
Change in net position					1,248,988
Net position - beginning					<u>5,828,156</u>
Net position - ending					<u>\$ 7,077,144</u>

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

VAN ZANDT COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Road and Bridge Precinct #1	Road and Bridge Precinct #2	Road and Bridge Precinct #3	Road and Bridge Precinct #4
ASSETS					
Cash and investments	\$ 44,225	\$ 259,087	\$ 156,465	\$ 197,099	\$ 524,106
Taxes receivable, net	433,439	23,367	28,526	23,801	22,858
Due from other governments	19,710	-	-	-	-
Accounts receivables	1,274,239	18,279	19,455	18,411	17,849
Due from other funds	289,404	-	-	-	129,390
Prepaid expenditures	23,172	-	-	-	-
Total assets	<u>2,084,189</u>	<u>300,733</u>	<u>204,446</u>	<u>239,311</u>	<u>694,203</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	602,949	17,485	14,768	34,778	38,986
Accrued liabilities	113,935	6,724	6,879	7,206	6,893
Due to other governments	8,921	-	-	-	-
Due to other funds	114,390	105,263	-	122,076	-
Deferred revenue	1,478,252	22,034	22,034	22,034	22,034
	<u>2,318,447</u>	<u>151,506</u>	<u>43,681</u>	<u>186,094</u>	<u>67,913</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	23,172	-	-	-	-
Restricted					
Road and bridge	-	149,227	160,765	53,217	626,290
Court technology and security	-	-	-	-	-
Records management	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	-	-
Debt service	-	-	-	-	-
Law library	-	-	-	-	-
Sanitation	-	-	-	-	-
Capital projects	-	-	-	-	-
Historical Commission	-	-	-	-	-
Unassigned	(257,430)	-	-	-	-
Total fund balances	<u>(234,258)</u>	<u>149,227</u>	<u>160,765</u>	<u>53,217</u>	<u>626,290</u>
Total liabilities and fund balances	<u>\$ 2,084,189</u>	<u>\$ 300,733</u>	<u>\$ 204,446</u>	<u>\$ 239,311</u>	<u>\$ 694,203</u>

Amounts reported for governmental activities in the statement of net assets are different:

Capital assets used in governmental activities are not resources and, therefore are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.

Net pension assets are not current financial resources, and thus are not reported in the funds.

Long-term liabilities, including capital lease payable, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

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

Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 818,855	\$ 816,126	\$ 2,815,963
79,664	-	611,655
-	-	19,710
-	38,264	1,386,497
-	-	418,794
-	-	23,172
<u>898,519</u>	<u>854,390</u>	<u>5,275,791</u>
-	191,755	900,721
-	2,025	143,662
-	-	8,921
-	77,065	418,794
<u>71,246</u>	<u>-</u>	<u>1,637,634</u>
<u>71,246</u>	<u>270,845</u>	<u>3,109,732</u>
-	-	23,172
-	-	989,499
-	4,212	4,212
-	257,975	257,975
-	126,686	126,686
-	4,498	4,498
827,273	-	827,273
-	71	71
-	239,638	239,638
-	16,534	16,534
-	7,540	7,540
-	(73,609)	(331,039)
<u>827,273</u>	<u>583,545</u>	<u>2,166,059</u>
\$ <u>898,519</u>	\$ <u>854,390</u>	

12,766,349
1,637,634
50,552
(9,543,450)
\$ 7,077,144

VAN ZANDT COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	Road and Bridge Precinct #1	Road and Bridge Precinct #2	Road and Bridge Precinct #3	Road and Bridge Precinct #4
REVENUES					
Taxes	\$ 7,429,724	\$ 441,077	\$ 531,478	\$ 448,687	\$ 432,166
Permits, licenses and fees	1,938,555	271,885	344,376	329,959	267,116
Intergovernmental	260,459	-	-	-	-
Investment earnings	2,039	76	256	68	493
Other	41,667	-	-	4,100	-
Total revenues	<u>9,672,444</u>	<u>713,038</u>	<u>876,110</u>	<u>782,814</u>	<u>699,775</u>
EXPENDITURES					
Current:					
General government	2,615,404	-	-	-	-
Judicial	2,076,877	-	-	-	-
Public safety	4,296,789	-	-	-	-
Health and welfare	87,122	-	-	-	-
Highways and bridges	38,631	473,100	747,756	591,133	490,984
Culture and recreation	111,578	-	-	-	-
Conservation	67,776	-	-	-	-
Sanitation	59,174	-	-	-	-
Debt service:					
Principal	109,439	58,736	80,846	37,009	43,481
Interest and other charges	25,743	4,421	6,533	3,820	4,439
Capital outlay	181,829	-	29,641	-	918
Total expenditures	<u>9,670,362</u>	<u>536,257</u>	<u>864,776</u>	<u>631,962</u>	<u>539,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,082</u>	<u>176,781</u>	<u>11,334</u>	<u>150,852</u>	<u>159,953</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	276,500	-	-	-	-
Transfers out	-	(67,750)	(134,474)	(67,750)	(67,750)
Issuance of capital lease	153,139	-	-	-	-
Insurance proceeds	69,016	-	-	-	-
Sale of capital assets	5,621	-	23,680	-	-
Total other financing sources and uses	<u>504,276</u>	<u>(67,750)</u>	<u>(110,794)</u>	<u>(67,750)</u>	<u>(67,750)</u>
NET CHANGE IN FUND BALANCES	<u>506,358</u>	<u>109,031</u>	<u>(99,460)</u>	<u>83,102</u>	<u>92,203</u>
FUND BALANCES, BEGINNING	<u>(740,616)</u>	<u>40,196</u>	<u>260,225</u>	<u>(29,885)</u>	<u>534,087</u>
FUND BALANCES, ENDING	<u>\$(234,258)</u>	<u>\$ 149,227</u>	<u>\$ 160,765</u>	<u>\$ 53,217</u>	<u>\$ 626,290</u>

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

Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,386,834	\$ -	\$ 10,669,966
-	413,610	3,565,501
-	108,785	369,244
701	411	4,044
-	7,188	52,955
<u>1,387,535</u>	<u>529,994</u>	<u>14,661,710</u>
-	194,212	2,809,616
-	93,789	2,170,666
-	121,238	4,418,027
-	-	87,122
-	22,478	2,364,082
-	-	111,578
-	-	67,776
-	62,908	122,082
852,000	-	1,181,511
313,193	-	358,149
-	330,124	542,512
<u>1,165,193</u>	<u>824,749</u>	<u>14,233,121</u>
<u>222,342</u>	(294,755)	<u>428,589</u>
-	77,569	354,069
-	(16,345)	(354,069)
-	-	153,139
-	-	69,016
-	7,186	36,487
-	68,410	258,642
<u>222,342</u>	(226,345)	<u>687,231</u>
<u>604,931</u>	<u>809,890</u>	<u>1,478,828</u>
<u>\$ 827,273</u>	<u>\$ 583,545</u>	<u>\$ 2,166,059</u>

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VAN ZANDT COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds:	\$ 687,231
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
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 capital outlays exceeded depreciation in the current period.	(546,476)
The net effect of sales and trade-ins of capital assets is to decrease net position.	16,051
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	96,653
Pension expenditures reported in the funds use current financial resources, however, pension expenses in the statement of activities will be expensed as incurred.	139
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	947,648
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>47,742</u>
Change in net position of governmental activities	<u>\$ 1,248,988</u>

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

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VAN ZANDT COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>3,552,023</u>
Total assets	\$ <u>3,552,023</u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>3,552,023</u>
Total liabilities	\$ <u>3,552,023</u>

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

VAN ZANDT COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Van Zandt County was formed in 1848 and is a political subdivision of the State of Texas. The County is governed by the Commissioners' Court, which is composed of four County Commissioners and the County Judge. All members of the governing body are elected officials.

The County provides a variety of services as required by law. These include public safety, administration of the courts system, health services, maintenance and construction of roads and bridges and general administration.

Van Zandt County's Annual Financial Report presents the financial position, results of operations of the applicable fund types governed by the Commissioners' Court. Generally accepted accounting principles require all funds that are controlled by or are dependent on the Commissioners' Court to be included in the County's Annual Financial Report. Control or dependence was determined on the basis of selection of governing authority, ability to influence operations and accountability over fiscal matters.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The County has no business-type activities.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Road and Bridge Funds** are used to account for the operation, repair and maintenance of roads and bridges.

The **Debt Service Fund** is used to account for the payment of the County's debt.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County currently maintains no proprietary fund types.

D. Assets, Liabilities and Net Position or Equity

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.

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, 2013.

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.

Inventories and Prepaid Items

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The County implemented GASB 34 as a Phase 3 entity. The County has elected to not retroactively report its infrastructure assets. The County will report infrastructure assets on a prospective basis.

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.

Property, buildings and equipment is depreciated using the straight-line method over the following useful lives:

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

Compensated Absences

The County allows employees to accumulate unused vacation time to a maximum of 20 days and unused sick time to a maximum of 60 days. Upon termination, vacation leave 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.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

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.

Fund Balance Classification

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

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

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

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

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

The governmental fund balance sheet includes reconciliation 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 details of the \$1,637,634 difference is as follows:

Property taxes	\$ 547,017
Court receivables	<u>1,090,617</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,637,634</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

The General, Building Security, Bullet Proof Vest Grant, Justice Court Technology, Chapter 19, Homeland Security, VOICES Grant, and Capital Project Roads Precinct #4 funds have deficit fund balances of (\$234,258), (\$42,187), (\$6,054), (\$9,157), (\$2,880), (\$710), (\$1,101) and (\$11,521) respectively. The County plans to cover these deficits with either transfers or greater revenues than expenditures in FY 2014.

4. **DETAILED NOTES ON ALL FUNDS**

Deposits and Investments

As of September 30, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,029,391	60
MBIA Class	<u>738,903</u>	37
Total fair value	<u>\$ 2,768,294</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. As of September 30, 2013, the County’s deposit balance was fully collateralized with securities held by the pledging financial institution in the County’s name or by FDIC insurance.

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

The State Comptroller of Public Accounts 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, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	<u>Roads and Bridges</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 619,199	\$ 140,788	\$ 113,806	\$ -	\$ 873,793
Accounts	183,621	73,994	-	38,264	295,879
Fines and fees	<u>10,910,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,910,406</u>
Gross receivables	11,713,226	214,782	113,806	38,264	12,080,078
Less: allowance for uncollectibles	<u>(10,005,548)</u>	<u>(42,236)</u>	<u>(34,142)</u>	<u>-</u>	<u>(10,081,926)</u>
Net total receivables	<u>\$ 1,707,678</u>	<u>\$ 172,546</u>	<u>\$ 79,664</u>	<u>\$ 38,264</u>	<u>\$ 1,998,152</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	\$ 387,635	\$ -	\$ 387,635
Court fines and fees receivable	1,090,617	-	1,090,617
Road and bridge 1 - 4:			
Delinquent property taxes receivable	88,136	-	88,136
Debt service:			
Delinquent property taxes receivable	<u>71,246</u>	<u>-</u>	<u>71,246</u>
Governmental Funds	<u>\$ 1,637,634</u>	<u>\$ -</u>	<u>\$ 1,637,634</u>

Capital Assets

Capital asset activity for the year ended September 30, 2013, 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	7,766,431	-	-	22,367	7,788,798
Machinery and equipment	7,565,436	230,065	103,651	7,473	7,699,323
Infrastructure	7,944,954	317,910	-	107,034	8,369,898
Total capital assets being depreciated	<u>23,276,821</u>	<u>547,975</u>	<u>103,651</u>	<u>136,874</u>	<u>23,858,019</u>
Less accumulated depreciation:					
Buildings and improvements	3,567,849	278,825	-	7,225	3,853,899
Machinery and equipment	6,010,497	412,472	83,343	93,283	6,432,909
Infrastructure	997,450	403,154	-	7	1,400,611
Total accumulated depreciation	<u>10,575,796</u>	<u>1,094,451</u>	<u>83,343</u>	<u>100,515</u>	<u>11,687,419</u>
Total capital assets, being depreciated, net	<u>12,701,025</u>	<u>(546,476)</u>	<u>20,308</u>	<u>36,359</u>	<u>12,170,600</u>
Governmental activities capital assets, net	<u>\$ 13,296,774</u>	<u>\$ (546,476)</u>	<u>\$ 20,308</u>	<u>\$ 36,359</u>	<u>\$ 12,766,349</u>

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

Governmental activities:		
General administration	\$	364,564
Judicial		237,357
Highways and bridges		403,154
Public safety		<u>89,376</u>
 Total depreciation expense - governmental activities	\$	<u><u>1,094,451</u></u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Precinct #1	\$ 105,263
General Fund	Road and Bridge Precinct #3	107,076
General Fund	Non-major governmental	77,065
Road and Bridge Precinct #4	Road and Bridge Precinct #3	15,000
Road and Bridge Precinct #4	General Fund	<u>114,390</u>
		<u><u>\$ 418,794</u></u>

These interfund payables are presented as the nonmajor governmental fund had negative cash balances at September 30, 2013. The General Fund covered these negative cash amounts in the other funds.

Interfund transfers:

	<u>Transfer in</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfer out:			
Road and bridge 1 - 4	\$ 271,000	\$ 66,724	\$ 337,724
Nonmajor governmental	<u>5,500</u>	<u>10,845</u>	<u>16,345</u>
 Total transfers	<u>\$ 276,500</u>	<u>\$ 77,569</u>	<u>\$ 354,069</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Leases

Short-term Liabilities

On August 14, 2012, the county entered into a short-term tax anticipation note of \$772,000 at 1.9% interest to cover current operating bills. The money was repaid with operating revenues in August 2013.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Short-term Tax Anticipation Note	\$ <u>772,000</u>	\$ <u>-</u>	\$ <u>772,000</u>	\$ <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 2013 for a new IBM computer & data preservation system for \$28,139 and 5 police interceptors for \$125,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2014	\$ 207,140
2015	140,899
2016	86,932
2017	<u>33,337</u>
Total minimum lease payments	468,308
Less: amount representing interest	(<u>24,785</u>)
Present value of minimum lease payments	\$ <u>443,523</u>

Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2013, 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	\$ 9,557,000	\$ -	\$ 852,000	\$ 8,705,000	\$ 884,000	\$ 312,801
Capital leases	619,895	153,139	329,511	443,523	146,138	28,399
Compensated absences	<u>422,222</u>	<u>435,592</u>	<u>503,667</u>	<u>354,147</u>	<u>70,829</u>	<u>-</u>
Governmental activity						
Long-term liabilities	<u>\$ 10,599,117</u>	<u>\$ 588,731</u>	<u>\$ 1,685,178</u>	<u>\$ 9,502,670</u>	<u>\$ 1,100,967</u>	<u>\$ 341,200</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund and Road and 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>
2014	\$ 884,000	\$ 283,656	\$ 1,167,656
2015	910,000	253,422	1,163,422
2016	942,000	222,270	1,164,270
2017	975,000	189,999	1,164,999
2018	1,007,000	156,610	1,163,610
2019-2023	<u>3,987,000</u>	<u>324,118</u>	<u>4,311,118</u>
Total	<u>\$ 8,705,000</u>	<u>\$ 1,430,075</u>	<u>\$ 10,135,075</u>

Other Information

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, 2013, the County had no liability for unpaid claims or adjustments under policies carried with the risk pool. During the year ended September 30, 2013, 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.

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.

Pension Plans – 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 7.82% for the months of the accounting year in 2012, and 8.01% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar year 2013 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.

Annual Pension Cost

For the employer's accounting year ended September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$487,933 and the actual contributions were \$487,933.

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, 2012 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012, actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
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 in years	20	20	20
Asset valuation method	SAF: 10-year smoothed value ESF: Fund value	SAF: 10-year smoothed value ESF: Fund value	SAF: 10-year smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

**Trend Information for the
Retirement Plan for the Employees of Van Zandt County**

Fiscal Year	2011	2012	2013
Annual required contribution (ARC)	\$ 479,169	\$ 482,945	\$ 487,933
Interest on net pension obligation	(4,011)	(4,022)	(4,033)
Adjustment to ARC	3,873	3,884	3,894
Annual pension cost	479,031	482,807	487,794
Contributions made	(479,169)	(482,945)	(487,933)
Net pension obligation (asset), beginning of year	(50,137)	(50,275)	(50,413)
Change in net pension obligation (asset)	(138)	(138)	(139)
Net pension obligation (asset), end of year	\$(50,275)	\$(50,413)	\$(50,552)
Percentage of APC contributed	100.03%	100.03%	100.03%

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Van Zandt County**

Year	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)
2012	\$ 13,693,639	\$ 15,596,266	\$ 1,902,627	87.80%	\$ 6,230,005	30.54%

**REQUIRED
SUPPLEMENTARY INFORMATION**

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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**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	\$ 13,693,639	\$ 15,596,266	\$ 1,902,627	87.80%	\$ 6,230,005	30.54%
12/31/11	13,654,161	15,358,205	1,704,044	88.90%	6,378,696	26.71%
12/31/10	13,626,326	15,196,103	1,569,777	89.67%	6,318,569	24.84%

VAN ZANDT COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Amended		Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,662,428	\$ 7,662,428	\$ 7,429,724	\$(232,704)
Permits, licenses and fees	2,057,768	2,057,768	1,938,555	(119,213)
Intergovernmental	167,744	167,744	260,459	92,715
Investment earnings	3,250	3,250	2,039	(1,211)
Other	29,800	30,170	41,667	11,497
Total revenues	9,920,990	9,921,360	9,672,444	(248,916)
EXPENDITURES				
Current:				
General government	2,589,600	2,589,100	2,615,404	(26,304)
Judicial	2,108,127	2,108,127	2,076,877	31,250
Public safety	4,078,159	4,091,235	4,296,789	(205,554)
Health and welfare	156,476	156,476	87,122	69,354
Highways and bridges	37,424	37,424	38,631	(1,207)
Culture and recreation	123,477	124,477	111,578	12,899
Conservation	75,566	75,566	67,776	7,790
Sanitation	73,927	73,927	59,174	14,753
Debt service:				
Principal	109,978	109,978	109,439	539
Interest and other charges	792,426	792,426	25,743	766,683
Capital outlay	174,106	229,944	181,829	48,115
Total expenditures	10,319,266	10,388,680	9,670,362	718,318
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(398,276)	(467,320)	2,082	469,402
OTHER FINANCING SOURCES (USES)				
Transfers in	268,000	268,000	276,500	8,500
Transfers out	(821,817)	(821,817)	-	821,817
Issuance of capital lease	144,237	195,000	153,139	(41,861)
Insurance proceeds	7,500	7,500	69,016	61,516
Sale of capital assets	500	500	5,621	5,121
Total other financing sources (uses)	(401,580)	(350,817)	504,276	855,093
NET CHANGE IN FUND BALANCE	(799,856)	(818,137)	506,358	1,324,495
FUND BALANCE, BEGINNING	(740,616)	(740,616)	(740,616)	-
FUND BALANCE, ENDING	\$(1,540,472)	\$(1,558,753)	\$(234,258)	\$ 1,324,495

VAN ZANDT COUNTY, TEXAS

ROAD AND BRIDGE PRECINCT #1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes	\$ 425,369	\$ 425,369	\$ 441,077	\$ 15,708
Permits, licenses and fees	245,343	245,343	271,885	26,542
Investment earnings	<u>60</u>	<u>60</u>	<u>76</u>	<u>16</u>
Total revenues	<u>670,772</u>	<u>670,772</u>	<u>713,038</u>	<u>42,266</u>
EXPENDITURES				
Current:				
Highways and bridges	532,575	532,575	473,100	59,475
Debt service:				
Principal	58,737	58,737	58,736	1
Interest and other charges	4,545	4,545	4,421	124
Capital outlay	<u>1,800</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total expenditures	<u>597,657</u>	<u>597,657</u>	<u>536,257</u>	<u>61,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>73,115</u>	<u>73,115</u>	<u>176,781</u>	<u>103,666</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,500)	(135,500)	(67,750)	67,750
Total other financing sources (uses)	<u>(135,500)</u>	<u>(135,500)</u>	<u>(67,750)</u>	<u>67,750</u>
NET CHANGE IN FUND BALANCE	(62,385)	(62,385)	109,031	171,416
FUND BALANCE, BEGINNING	<u>40,196</u>	<u>40,196</u>	<u>40,196</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$(22,189)</u>	<u>\$(22,189)</u>	<u>\$ 149,227</u>	<u>\$ 171,416</u>

VAN ZANDT COUNTY, TEXAS

ROAD AND BRIDGE PRECINCT #2

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes	\$ 515,305	\$ 515,305	\$ 531,478	\$ 16,173
Permits, licenses and fees	297,600	297,600	344,376	46,776
Investment earnings	300	300	256	(44)
Total revenues	<u>813,205</u>	<u>813,205</u>	<u>876,110</u>	<u>62,905</u>
EXPENDITURES				
Current:				
Highways and bridges	758,040	785,020	747,756	37,264
Debt service:				
Principal	80,847	80,847	80,846	1
Interest and other charges	6,261	6,261	6,533	(272)
Capital outlay	-	29,100	29,641	(541)
Total expenditures	<u>845,148</u>	<u>901,228</u>	<u>864,776</u>	<u>36,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,943)</u>	<u>(88,023)</u>	<u>11,334</u>	<u>99,357</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,500)	(135,500)	(134,474)	1,026
Sale of capital assets	5,000	5,000	23,680	18,680
Total other financing sources (uses)	<u>(130,500)</u>	<u>(130,500)</u>	<u>(110,794)</u>	<u>19,706</u>
NET CHANGE IN FUND BALANCE	<u>(162,443)</u>	<u>(218,523)</u>	<u>(99,460)</u>	<u>119,063</u>
FUND BALANCE, BEGINNING	<u>260,225</u>	<u>260,225</u>	<u>260,225</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 97,782</u>	<u>\$ 41,702</u>	<u>\$ 160,765</u>	<u>\$ 119,063</u>

VAN ZANDT COUNTY, TEXAS

ROAD AND BRIDGE PRECINCT #3

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes	\$ 439,309	\$ 439,309	\$ 448,687	\$ 9,378
Permits, licenses and fees	253,530	253,530	329,959	76,429
Investment earnings	565	565	68	(497)
Other	<u>-</u>	<u>-</u>	<u>4,100</u>	<u>4,100</u>
Total revenues	<u>693,404</u>	<u>693,404</u>	<u>782,814</u>	<u>89,410</u>
EXPENDITURES				
Current:				
Highways and bridges	549,348	622,448	591,133	31,315
Debt service:				
Principal	37,009	37,009	37,009	-
Interest and other charges	<u>3,834</u>	<u>3,834</u>	<u>3,820</u>	<u>14</u>
Total expenditures	<u>590,191</u>	<u>663,291</u>	<u>631,962</u>	<u>31,329</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>103,213</u>	<u>30,113</u>	<u>150,852</u>	<u>120,739</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(135,500)</u>	<u>(135,500)</u>	<u>(67,750)</u>	<u>67,750</u>
Total other financing sources (uses)	<u>(135,500)</u>	<u>(135,500)</u>	<u>(67,750)</u>	<u>67,750</u>
NET CHANGE IN FUND BALANCE	<u>(32,287)</u>	<u>(105,387)</u>	<u>83,102</u>	<u>188,489</u>
FUND BALANCE, BEGINNING	<u>(29,885)</u>	<u>(29,885)</u>	<u>(29,885)</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$(62,172)</u></u>	<u><u>\$(135,272)</u></u>	<u><u>\$ 53,217</u></u>	<u><u>\$ 188,489</u></u>

VAN ZANDT COUNTY, TEXAS

ROAD AND BRIDGE PRECINCT #4

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes	\$ 422,744	\$ 422,744	\$ 432,166	\$ 9,422
Permits, licenses and fees	245,531	245,531	267,116	21,585
Investment earnings	685	685	493	(192)
Total revenues	<u>668,960</u>	<u>668,960</u>	<u>699,775</u>	<u>30,815</u>
EXPENDITURES				
Current:				
Highways and bridges	648,067	648,067	490,984	157,083
Debt service:				
Principal	43,481	43,481	43,481	-
Interest and other charges	4,439	4,439	4,439	-
Capital outlay	-	-	918	(918)
Total expenditures	<u>695,987</u>	<u>695,987</u>	<u>539,822</u>	<u>156,165</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,027)</u>	<u>(27,027)</u>	<u>159,953</u>	<u>186,980</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(135,500)	(135,500)	(67,750)	67,750
Sale of capital assets	5,000	5,000	-	(5,000)
Total other financing sources (uses)	<u>(130,500)</u>	<u>(130,500)</u>	<u>(67,750)</u>	<u>62,750</u>
NET CHANGE IN FUND BALANCE	<u>(157,527)</u>	<u>(157,527)</u>	92,203	249,730
FUND BALANCE, BEGINNING	<u>534,087</u>	<u>534,087</u>	<u>534,087</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 376,560</u>	<u>\$ 376,560</u>	<u>\$ 626,290</u>	<u>\$ 249,730</u>

VAN ZANDT COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

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.
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 by the budget coordinator 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.

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COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Capital Projects Funds are used to account for each precinct's share of bond proceeds to perform projects in each precinct.

VAN ZANDT COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>Law Library</u>	<u>Records Management</u>	<u>Building Security</u>	<u>District Attorney Check Collection</u>
ASSETS				
Cash and investments	\$ 69,293	\$ 254,731	\$ -	\$ 13,703
Accounts receivable	<u>2,601</u>	<u>12,613</u>	<u>2,274</u>	<u>8</u>
Total assets	<u>\$ 71,894</u>	<u>\$ 267,344</u>	<u>\$ 2,274</u>	<u>\$ 13,711</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,156	\$ 9,369	\$ 418	\$ -
Accrued liabilities	-	-	890	-
Due to other funds	-	-	<u>43,153</u>	-
Total liabilities	<u>4,156</u>	<u>9,369</u>	<u>44,461</u>	<u>-</u>
Fund balances:				
Restricted				
Court technology and security	-	-	-	-
Records management	-	257,975	-	-
Judicial	67,738	-	-	13,711
Public safety	-	-	-	-
Law library	-	-	-	-
Sanitation	-	-	-	-
Capital Projects	-	-	-	-
Historical Commission	-	-	-	-
Unassigned	-	-	<u>(42,187)</u>	<u>-</u>
Total fund balances	<u>67,738</u>	<u>257,975</u>	<u>(42,187)</u>	<u>13,711</u>
Total liabilities and fund balances	<u>\$ 71,894</u>	<u>\$ 267,344</u>	<u>\$ 2,274</u>	<u>\$ 13,711</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>
\$ 45,363	\$ 4,498	\$ -	\$ 71	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>2,901</u>	<u>-</u>	<u>1,012</u>	<u>-</u>
<u>\$ 45,363</u>	<u>\$ 4,498</u>	<u>\$ 2,901</u>	<u>\$ 71</u>	<u>\$ 1,012</u>	<u>\$ -</u>
\$ 126	\$ -	\$ -	\$ -	\$ -	\$ 14
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>8,955</u>	<u>-</u>	<u>10,169</u>	<u>2,866</u>
<u>126</u>	<u>-</u>	<u>8,955</u>	<u>-</u>	<u>10,169</u>	<u>2,880</u>
-	-	-	-	-	-
-	-	-	-	-	-
45,237	-	-	-	-	-
-	4,498	-	71	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(6,054)</u>	<u>-</u>	<u>(9,157)</u>	<u>(2,880)</u>
<u>45,237</u>	<u>4,498</u>	<u>(6,054)</u>	<u>71</u>	<u>(9,157)</u>	<u>(2,880)</u>
<u>\$ 45,363</u>	<u>\$ 4,498</u>	<u>\$ 2,901</u>	<u>\$ 71</u>	<u>\$ 1,012</u>	<u>\$ -</u>

VAN ZANDT COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2013

	Justice Court Building Security	TDRA/ CDBG	Asset Forfeiture	Abatement Officer
ASSETS				
Cash and investments	\$ 4,151	\$ 22,271	\$ 264,767	\$ 77,618
Accounts receivable	244	-	3,835	2,460
Total assets	\$ 4,395	\$ 22,271	\$ 268,602	\$ 80,078
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 183	\$ 9,120	\$ 107,185	\$ 925
Accrued liabilities	-	-	62	1,073
Due to other funds	-	-	-	-
Total liabilities	183	9,120	107,247	1,998
Fund balances:				
Restricted				
Court technology and security	4,212	-	-	-
Records management	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Law library	-	-	-	-
Sanitation	-	-	161,355	78,080
Capital Projects	-	13,151	-	-
Historical Commission	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	4,212	13,151	161,355	78,080
Total liabilities and fund balances	\$ 4,395	\$ 22,271	\$ 268,602	\$ 80,078

<u>Homeland Security</u>	<u>VOICES Grant</u>	<u>Solid Waste Grant</u>	<u>Historical Commission</u>	<u>Capital Project Roads Precinct #1</u>
\$ -	\$ -	\$ 203	\$ 8,540	\$ 16,545
<u>3,539</u>	<u>6,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,539</u>	<u>\$ 6,777</u>	<u>\$ 203</u>	<u>\$ 8,540</u>	<u>\$ 16,545</u>
\$ -	\$ 205	\$ -	\$ 1,000	\$ 16,381
-	-	-	-	-
<u>4,249</u>	<u>7,673</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,249</u>	<u>7,878</u>	<u>-</u>	<u>1,000</u>	<u>16,381</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	203	-	-
-	-	-	-	164
-	-	-	7,540	-
<u>(710)</u>	<u>(1,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(710)</u>	<u>(1,101)</u>	<u>203</u>	<u>7,540</u>	<u>164</u>
<u>\$ 3,539</u>	<u>\$ 6,777</u>	<u>\$ 203</u>	<u>\$ 8,540</u>	<u>\$ 16,545</u>

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VAN ZANDT COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2013

	<u>Capital Project Roads Precinct #2</u>	<u>Capital Project Roads Precinct #3</u>	<u>Capital Project Roads Precinct #4</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ -	\$ 3,219	\$ 31,152	\$ 816,126
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,264</u>
Total assets	<u>\$ -</u>	<u>\$ 3,219</u>	<u>\$ 31,152</u>	<u>\$ 854,390</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 42,673	\$ 191,755
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,025</u>
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,065</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>42,673</u>	<u>270,845</u>
Fund balances:				
Restricted				
Court technology and security	-	-	-	4,212
Records management	-	-	-	257,975
Judicial	-	-	-	126,686
Public safety	-	-	-	4,498
Law library	-	-	-	71
Sanitation	-	-	-	239,638
Capital Projects	-	3,219	-	16,534
Historical Commission	-	-	-	7,540
Unassigned	<u>-</u>	<u>-</u>	<u>(11,521)</u>	<u>(73,609)</u>
Total fund balances	<u>-</u>	<u>3,219</u>	<u>(11,521)</u>	<u>583,545</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,219</u>	<u>\$ 31,152</u>	<u>\$ 854,390</u>

VAN ZANDT COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Law Library	Records Management	Building Security	District Attorney Check Collection
REVENUES				
Permits, licenses and fees	\$ 30,263	\$ 151,785	\$ 27,757	\$ 2,651
Intergovernmental	-	-	-	-
Investment earnings	67	136	-	4
Other	-	-	-	-
Total revenues	30,330	151,921	27,757	2,655
EXPENDITURES				
Current:				
General government	-	111,771	45,601	-
Judicial	36,966	-	-	-
Public safety	-	-	-	-
Highways and bridges	-	-	-	-
Sanitation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	36,966	111,771	45,601	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,636)	40,150	(17,844)	2,655
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(5,500)	-	-
Sale of Assets	-	-	-	-
Total other financing sources and uses	-	(5,500)	-	-
NET CHANGE IN FUND BALANCES	(6,636)	34,650	(17,844)	2,655
FUND BALANCES, BEGINNING	74,374	223,325	(24,343)	11,056
FUND BALANCES, ENDING	\$ 67,738	\$ 257,975	\$(42,187)	\$ 13,711

<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>
\$ -	\$ -	\$ -	\$ -	\$ 13,271	\$ -
22,500	-	-	-	-	11,725
26	-	-	-	-	-
-	-	-	-	-	-
<u>22,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,271</u>	<u>11,725</u>
-	-	-	-	-	13,965
33,143	-	-	-	23,680	-
-	1,632	6,054	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,143</u>	<u>1,632</u>	<u>6,054</u>	<u>-</u>	<u>23,680</u>	<u>13,965</u>
(10,617)	(1,632)	(6,054)	-	(10,409)	(2,240)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10,617)	(1,632)	(6,054)	-	(10,409)	(2,240)
<u>55,854</u>	<u>6,130</u>	<u>-</u>	<u>71</u>	<u>1,252</u>	<u>(640)</u>
<u>\$ 45,237</u>	<u>\$ 4,498</u>	<u>\$(6,054)</u>	<u>\$ 71</u>	<u>\$(9,157)</u>	<u>\$(2,880)</u>

VAN ZANDT COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Justice Court Building Security	TDRA/ CDBG	Asset Forfeiture	Abatement Officer
REVENUES				
Permits, licenses and fees	\$ 3,086	\$ -	\$ 87,957	\$ 96,840
Intergovernmental	-	22,478	-	-
Investment earnings	-	-	105	13
Other	-	-	4,579	-
Total revenues	3,086	22,478	92,641	96,853
EXPENDITURES				
Current:				
General government	16,668	-	-	-
Judicial	-	-	-	-
Public safety	-	-	63,675	-
Highways and bridges	-	22,478	-	-
Sanitation	-	-	-	62,908
Capital outlay	-	8,975	-	-
Total expenditures	16,668	31,453	63,675	62,908
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,582)	(8,975)	28,966	33,945
OTHER FINANCING SOURCES (USES)				
Transfers in	-	77,569	-	-
Transfers out	-	-	-	-
Sale of Assets	-	-	7,186	-
Total other financing sources and uses	-	77,569	7,186	-
NET CHANGE IN FUND BALANCES	(13,582)	68,594	36,152	33,945
FUND BALANCES, BEGINNING	17,794	(55,443)	125,203	44,135
FUND BALANCES, ENDING	\$ 4,212	\$ 13,151	\$ 161,355	\$ 78,080

Homeland Security	VOICES Grant	Solid Waste Grant	Historical Commission	Capital Project Roads Precinct #1
\$ -	\$ -	\$ -	\$ -	\$ -
3,539	48,543	-	-	-
-	-	-	-	9
-	-	-	2,609	-
<u>3,539</u>	<u>48,543</u>	<u>-</u>	<u>2,609</u>	<u>9</u>
-	-	-	6,207	-
-	-	-	-	-
3,539	46,339	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	70,641
<u>3,539</u>	<u>46,339</u>	<u>-</u>	<u>6,207</u>	<u>70,641</u>
-	2,204	-	(3,598)	(70,632)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,204	-	(3,598)	(70,632)
(710)	(3,305)	203	11,138	70,796
<u>\$(710)</u>	<u>\$(1,101)</u>	<u>\$ 203</u>	<u>\$ 7,540</u>	<u>\$ 164</u>

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VAN ZANDT COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Capital Project Roads Precinct #2</u>	<u>Capital Project Roads Precinct #3</u>	<u>Capital Project Roads Precinct #4</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Permits, licenses and fees	\$ -	\$ -	\$ -	\$ 413,610
Intergovernmental	-	-	-	108,785
Investment earnings	26	3	22	411
Other	-	-	-	7,188
Total revenues	<u>26</u>	<u>3</u>	<u>22</u>	<u>529,994</u>
EXPENDITURES				
Current:				
General government	-	-	-	194,212
Judicial	-	-	-	93,789
Public safety	-	-	-	121,238
Highways and bridges	-	-	-	22,478
Sanitation	-	-	-	62,908
Capital outlay	<u>105,877</u>	<u>3,239</u>	<u>141,392</u>	<u>330,124</u>
Total expenditures	<u>105,877</u>	<u>3,239</u>	<u>141,392</u>	<u>824,749</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(105,851)</u>	<u>(3,236)</u>	<u>(141,370)</u>	<u>(294,755)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	77,569
Transfers out	(10,845)	-	-	(16,345)
Sale of Assets	-	-	-	7,186
Total other financing sources and uses	<u>(10,845)</u>	<u>-</u>	<u>-</u>	<u>68,410</u>
NET CHANGE IN FUND BALANCES	<u>(116,696)</u>	<u>(3,236)</u>	<u>(141,370)</u>	<u>(226,345)</u>
FUND BALANCES, BEGINNING	<u>116,696</u>	<u>6,455</u>	<u>129,849</u>	<u>809,890</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 3,219</u>	<u>\$(11,521)</u>	<u>\$ 583,545</u>

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VAN ZANDT COUNTY, TEXAS

DEBT SERVICE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes	\$ 1,165,919	\$ 1,165,919	\$ 1,386,834	\$ 220,915
Investment earnings	<u>535</u>	<u>535</u>	<u>701</u>	<u>166</u>
Total revenues	<u>1,166,454</u>	<u>1,166,454</u>	<u>1,387,535</u>	<u>221,081</u>
EXPENDITURES				
Debt service:				
Principal	2,017,116	2,017,116	852,000	1,165,116
Interest and other charges	<u>313,116</u>	<u>313,116</u>	<u>313,193</u>	<u>(77)</u>
Total expenditures	<u>2,330,232</u>	<u>2,330,232</u>	<u>1,165,193</u>	<u>1,165,039</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,163,778)</u>	<u>(1,163,778)</u>	<u>222,342</u>	<u>1,386,120</u>
FUND BALANCE, BEGINNING	<u>604,931</u>	<u>604,931</u>	<u>604,931</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (558,847)</u></u>	<u><u>\$ (558,847)</u></u>	<u><u>\$ 827,273</u></u>	<u><u>\$ 1,386,120</u></u>

VAN ZANDT COUNTY, TEXAS

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

AS OF SEPTEMBER 30, 2013

	<u>District Clerk</u>	<u>County Clerk</u>	<u>Sheriff</u>	<u>District Attorney</u>
ASSETS				
Cash and investments	\$ <u>1,552,038</u>	\$ <u>586,888</u>	\$ <u>120,914</u>	\$ <u>221</u>
Total assets	\$ <u>1,552,038</u>	\$ <u>586,888</u>	\$ <u>120,914</u>	\$ <u>221</u>
LIABILITIES				
Due to others	\$ <u>1,552,038</u>	\$ <u>586,888</u>	\$ <u>120,914</u>	\$ <u>221</u>
Total liabilities	\$ <u>1,552,038</u>	\$ <u>586,888</u>	\$ <u>120,914</u>	\$ <u>221</u>

<u>CSCD</u>	<u>Juvenile Probation</u>	<u>Tax Assessor/ Collector</u>	<u>Justice of the Peace</u>	<u>Soil Conservation District</u>	<u>Veteran's Memorial Wall Fund</u>	<u>Totals</u>
\$ <u>726,265</u>	\$ <u>1,092</u>	\$ <u>478,178</u>	\$ <u>65,152</u>	\$ <u>21,274</u>	\$ <u>1</u>	\$ <u>3,552,023</u>
\$ <u>726,265</u>	\$ <u>1,092</u>	\$ <u>478,178</u>	\$ <u>65,152</u>	\$ <u>21,274</u>	\$ <u>1</u>	\$ <u>3,552,023</u>
\$ <u>726,265</u>	\$ <u>1,092</u>	\$ <u>478,178</u>	\$ <u>65,152</u>	\$ <u>21,274</u>	\$ <u>1</u>	\$ <u>3,552,023</u>
\$ <u>726,265</u>	\$ <u>1,092</u>	\$ <u>478,178</u>	\$ <u>65,152</u>	\$ <u>21,274</u>	\$ <u>1</u>	\$ <u>3,552,023</u>

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Zandt County, Texas, as of and for the year ended September 30, 2013, 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 November 6, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control 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 questioned costs, 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 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 deficiency, 2013-001, described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

Van Zandt County, Texas' Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
November 6, 2014

VAN ZANDT COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Finding 2013-001

Condition: During our audit, discussions with management and subsequent review of the deposits and disbursements in the Van Zandt County Tax Assessor-Collector Auto Account, several daily deposits could not be located. We also could not locate the annual deposit for the 2012 sales tax commissions that were to be paid out of that account.

Effect: The sales tax commission for 2012 and the County's share of several daily deposits could not be located and thus the County did not record the sales tax commission and fee office revenue.

Cause: With very limited controls over the deposits and disbursements in this account, the chance for errors was increased greatly.

Recommendation: The County Auditor or outside consultant should perform regular audits and internal control reviews over the Tax Assessor-Collector office and all accounts under the control of that elected official. There are large dollar amounts that flow through this office's accounts and a regular audit or review process greatly increases internal controls and greatly reduces the chances for errors.

Management's Response: The County Auditor's office has added 1 full time equivalent person to review, audit and report monthly on the deposits and state report of business of the Van Zandt County Tax Assessor-Collector Auto Account as well as sales tax commission due the county. This part time position was created in July, 2014. Subsequently, it was changed to a full time equivalent beginning October 1, 2014. Reports, audits and reviews have from January 2009 through July 2014.

Contact Person Responsible
for Corrective Action: John Shinn, County Auditor

Anticipated Completion
Date: The corrective action has been completed and is continuing on a monthly basis.

VAN ZANDT COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

None