


# **UPSHUR COUNTY**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2015**

**WITH INDEPENDENT AUDITORS' REPORT**

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# UPSHUR COUNTY, TEXAS

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# UPSHUR COUNTY, TEXAS

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## **FINANCIAL SECTION**

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and  
Commissioners' Court  
Upshur 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 Upshur County, Texas, (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's 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 the County, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2015 the County adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages 4-7 and 30-33 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 County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016 on our consideration of the County's 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 the County's internal control over financial reporting and compliance.

*Pat Hills, Brown & Hill, L.L.P.*

Waco, Texas  
September 8, 2016



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **UPSHUR COUNTY, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Upshur County, Texas (the "County") Financial Report presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended September 30, 2015.

### **FINANCIAL HIGHLIGHTS**

- The County's total net position increased by \$2,785,110, 26 %, over the course of this year's operations.
- The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at September 30, 2015, by \$11,595,317 and are reported as total net position of the primary government. Of this amount, \$5,390,687 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors. \$866,085 is restricted for specific purposes (restricted net position), and \$5,338,545 is invested in capital assets, net of related debt.
- As of September 30, 2015, the County governmental funds reported combined fund balances of \$2,636,636, which represents a 78% percent increase from the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information that indicates how net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these 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 in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, legal, and library.

**Fund Financial Statements** are groupings of related accounts that are 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 finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. The County does not have any proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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 the County's near-term financing requirements.

Because the focus of governmental funds is narrower than 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The County maintains 38 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds is 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 are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found starting on page 17 of this report.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The largest portion of the County's current fiscal year net position (46% percent) reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure) less any related debt used to acquire these assets that is outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the County's current fiscal year net position (46% percent) represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.

The following table indicates changes in net position for governmental activities.

### UPSHUR COUNTY'S CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Revenues:		
Program revenues:		
Charges for services	\$ 2,318,467	\$ 2,757,915
Operating grants and contributions	707,215	356,450
Capital grants and contributions	129,729	187,654
General revenues:		
Taxes - levied for general purposes	10,330,743	9,608,242
Sales taxes	978,309	908,482
Miscellaneous	532,324	670,691
Gain on sale of capital assets	256,701	86,392
Investment earnings	8,998	7,385
Total revenues	<u>15,262,486</u>	<u>14,583,211</u>
Expenses:		
General government	5,921,315	7,826,783
Public safety	4,086,763	4,249,706
Public transportation	2,427,445	73,014
Legal	1,591,337	1,472,330
Library	164,629	162,466
Total expenses	<u>14,191,489</u>	<u>13,784,299</u>
Change in net position	1,070,997	798,912
Net position - beginning	<u>8,810,207</u>	<u>7,028,844</u>
Prior period adjustment	<u>1,714,113</u>	<u>982,451</u>
Net position - ending	<u>\$ 11,595,317</u>	<u>\$ 8,810,207</u>

## **FINANCIAL ANALYSIS OF MAJOR FUNDS**

**Governmental Funds.** The County's major general government functions are contained in the General Fund. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2015, the County's governmental funds reported combined fund balances of \$2,636,636, an increase of 78% from the prior year.

The General Fund is the chief operating fund of the County. At September 30, 2015, the General Fund reported revenues of \$14,382,370 and expenditures of \$14,614,518.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues were less than budgeted estimates by \$73,387. Actual expenditures were more than budgeted estimates by \$230,959. Actual other financing sources were more than budgeted estimates by \$968,786. The net effect resulted in a positive variance of \$664,440.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The County's investment in capital assets for its governmental activities as of September 30, 2015, amounted to \$6,002,799 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment, and other tangible and intangible assets.

For further information regarding capital assets, see Note 4.

**Long-term Debt.** At September 30, 2015, the County had total long-term debt outstanding of \$1,484,030. Refer to Note 4 for further information on the County's long-term debt.

## **ECONOMIC FACTORS**

The budget was adopted based on estimated balances that would be available at the end of fiscal year 2015 and estimated revenues to be received in fiscal year 2016.

For 2015-2016, the property tax rate is \$0.5584 per \$100 valuation.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor's Office, P. O. Box 730, Gilmer, Texas, 75644.

**BASIC  
FINANCIAL STATEMENTS**

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# UPSHUR COUNTY, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,945,096
Receivables, net of allowances for uncollectibles	3,337,430
Prepaid expenses	4,859
Due from other sources	124,055
Net pension asset	946,083
Capital assets:	
Land	416,314
Buildings	9,482,620
Furniture and equipment	5,633,064
Less: accumulated depreciation	( 9,529,199)
Total capital assets, net of accumulated depreciation	<u>6,002,799</u>
Total assets	<u>13,360,322</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>694,212</u>
Total deferred outflows of resources	<u>694,212</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	665,493
Noncurrent liabilities:	
Due within one year	238,955
Due in more than one year	<u>1,245,075</u>
Total liabilities	<u>2,149,523</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>309,694</u>
Total deferred inflows of resources	<u>309,694</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,338,545
Restricted for:	
Other purposes	866,085
Unrestricted	<u>5,390,687</u>
Total net position	<u>\$ 11,595,317</u>

The accompanying notes are an integral  
part of these financial statements.



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# UPSHUR COUNTY, TEXAS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 5,921,315	\$ 1,621,212	\$ 232,555	\$ 129,729	\$( 3,937,819)
Public safety	4,086,763	100,011	258,018	-	( 3,728,734)
Public transportation	2,427,445	-	58,192	-	( 2,369,253)
Legal	1,591,337	570,823	158,450	-	( 862,064)
Library	164,629	26,421	-	-	( 138,208)
Total governmental activities	<u>\$ 14,191,489</u>	<u>\$ 2,318,467</u>	<u>\$ 707,215</u>	<u>\$ 129,729</u>	<u>( 11,036,078)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					10,330,743
Sales taxes					978,309
Gain on sale of capital assets					256,701
Investment earnings					8,998
Miscellaneous					<u>532,324</u>
Total general revenues					<u>12,107,075</u>
Change in net position					1,070,997
Net position, beginning					<u>8,810,207</u>
Prior period adjustment					1,714,113
Net position, beginning as restated					<u>10,524,320</u>
Net position, ending					<u>\$ 11,595,317</u>

The accompanying notes are an integral part of these financial statements.

# UPSHUR COUNTY, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 2,071,437	\$ 873,659	\$ 2,945,096
Receivables (net of allowance for uncollectibles)	3,216,703	120,727	3,337,430
Prepaid expenses	4,859	-	4,859
Due from other funds	21,445	-	21,445
Due from other governments	<u>116,610</u>	<u>7,445</u>	<u>124,055</u>
Total assets	<u>5,431,054</u>	<u>1,001,831</u>	<u>6,432,885</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	656,777	8,716	665,493
Due to other funds	<u>-</u>	<u>21,445</u>	<u>21,445</u>
Total liabilities	<u>656,777</u>	<u>30,161</u>	<u>686,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	2,300,726	118,873	2,419,599
Unavailable revenue - court fines and fees	<u>689,712</u>	<u>-</u>	<u>689,712</u>
Total deferred inflows of resources	<u>2,990,438</u>	<u>118,873</u>	<u>3,109,311</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	4,859	-	4,859
Restricted for:			
County and district clerk services	-	21,751	21,751
Court security and technology	-	165,518	165,518
District Attorney	-	30,166	30,166
Law library	-	2,795	2,795
Drug enforcement	-	4,865	4,865
Elections	-	21,757	21,757
Federal and state grants	-	473,229	473,229
Forfeiture	-	56,588	56,588
Judicial education	-	53,768	53,768
Law enforcement	-	16,691	16,691
Debt service	-	11,702	11,702
Other	-	7,255	7,255
Unassigned	<u>1,778,980</u>	<u>( 13,288)</u>	<u>1,765,692</u>
Total fund balances	<u>1,783,839</u>	<u>852,797</u>	<u>2,636,636</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,431,054</u>	<u>\$ 1,001,831</u>	<u>\$ 6,432,885</u>

The accompanying notes are an integral part of these financial statements.

## UPSHUR COUNTY, TEXAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Total fund balances - governmental funds	\$ 2,636,636
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,002,799
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,109,311
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	( 153,429)
Net position of governmental activities	\$ <u>11,595,317</u>

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

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 11,312,602	\$ 10,176	\$ 11,322,778
Licenses and permits	814,425	-	814,425
Intergovernmental	437,615	289,624	727,239
Charges for services	1,076,129	286,561	1,362,690
Fines and forfeitures	429,928	30,349	460,277
Interest	8,666	332	8,998
Miscellaneous	<u>303,005</u>	<u>7,711</u>	<u>310,716</u>
Total revenues	<u>14,382,370</u>	<u>624,753</u>	<u>15,007,123</u>
<b>EXPENDITURES</b>			
Current:			
General governmental	5,355,794	266,063	5,621,857
Public safety	3,812,175	89,404	3,901,579
Public transportation	2,430,843	-	2,430,843
Legal	1,389,935	184,256	1,574,191
Library	162,307	-	162,307
Capital outlay	1,148,464	-	1,148,464
Debt service:			
Principal	<u>315,000</u>	<u>-</u>	<u>315,000</u>
Total expenditures	<u>14,614,518</u>	<u>539,723</u>	<u>15,154,241</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 232,148)</u>	<u>85,030</u>	<u>( 147,118)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	321,902	721	322,623
Proceeds from capital leases	979,254	-	979,254
Transfer in	-	23,306	23,306
Transfer out	<u>( 19,706)</u>	<u>( 3,600)</u>	<u>( 23,306)</u>
Total other financing sources and (uses)	<u>1,281,450</u>	<u>20,427</u>	<u>1,301,877</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,049,302	105,457	1,154,759
<b>FUND BALANCES, BEGINNING</b>	<u>734,537</u>	<u>747,340</u>	<u>1,481,877</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,783,839</u>	<u>\$ 852,797</u>	<u>\$ 2,636,636</u>

The accompanying notes are an integral part of these financial statements.

**UPSHUR COUNTY, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 1,154,759
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.	735,810
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.	( 842,505)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 1,337)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>24,270</u>
Change in net position of governmental activities (page 9)	\$ <u>1,070,997</u>

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# UPSHUR COUNTY, TEXAS

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

### GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 11,204,486	\$ 11,204,486	\$ 11,312,602	\$ 108,116
Licenses and permits	817,600	817,600	814,425	( 3,175)
Intergovernmental	276,220	644,039	437,615	( 206,424)
Charges for services	1,061,850	1,061,850	1,076,129	14,279
Fines	455,050	455,050	429,928	( 25,122)
Interest	5,050	5,050	8,666	3,616
Miscellaneous	230,500	267,682	303,005	35,323
Total revenues	<u>14,050,756</u>	<u>14,455,757</u>	<u>14,382,370</u>	<u>( 73,387)</u>
<b>EXPENDITURES</b>				
Current:				
General governmental	5,658,447	5,645,823	5,355,794	290,029
Public safety	3,922,909	3,951,537	3,812,175	139,362
Public transportation	2,498,199	2,780,089	2,430,843	349,246
Legal	1,521,458	1,665,342	1,389,935	275,407
Library	171,557	171,558	162,307	9,251
Capital outlay	132,575	169,210	1,148,464	( 979,254)
Debt service:				
Principal	-	-	315,000	( 315,000)
Total expenditures	<u>13,905,145</u>	<u>14,383,559</u>	<u>14,614,518</u>	<u>( 230,959)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>145,611</u>	<u>72,198</u>	<u>( 232,148)</u>	<u>( 304,346)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of assets	-	320,402	321,902	1,500
Proceeds from capital leases	-	-	979,254	979,254
Transfer out	( 7,738)	( 7,738)	( 19,706)	( 11,968)
Total other financing sources	<u>( 7,738)</u>	<u>312,664</u>	<u>1,281,450</u>	<u>968,786</u>
<b>NET CHANGE IN FUND BALANCES</b>	137,873	384,862	1,049,302	664,440
<b>FUND BALANCES, BEGINNING</b>	<u>734,537</u>	<u>734,537</u>	<u>734,537</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 872,410</u>	<u>\$ 1,119,399</u>	<u>\$ 1,783,839</u>	<u>\$ 664,440</u>

The accompanying notes are an integral  
part of these financial statements.



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**UPSHUR COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2015**

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>660,841</u>	\$ <u>2,808,085</u>
Total assets	\$ <u>660,841</u>	\$ <u>2,808,085</u>
<b>LIABILITIES</b>		
Due to others	\$ -	\$ 2,808,085
Unearned revenue	<u>364,042</u>	<u>-</u>
Total liabilities	\$ <u>364,042</u>	\$ <u>2,808,085</u>
<b>NET POSITION</b>		
Held in trust for school use	\$ <u>296,799</u>	\$ <u>-</u>

The accompanying notes are an integral part of these financial statements.

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# UPSHUR COUNTY, TEXAS

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

SEPTEMBER 30, 2015

	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions:	
Damages	\$ 12,580
Miscellaneous	<u>50,400</u>
Total contributions	<u>62,980</u>
Investment earnings:	
Interest	<u>909</u>
Total investment earnings	<u>909</u>
Total additions	<u>63,889</u>
<b>DEDUCTIONS</b>	
Available fund allocation	275,000
Taxes	<u>13,829</u>
Total deductions	<u>288,829</u>
<b>CHANGE IN NET POSITION</b>	( 224,940)
<b>NET POSITION, BEGINNING</b>	<u>521,739</u>
<b>NET POSITION, ENDING</b>	<u>\$ 296,799</u>

The accompanying notes are an integral  
part of these financial statements.

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# **UPSHUR COUNTY, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Upshur County, Texas, (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### **A. Reporting Entity**

In 1991, GASB issued Statement No. 14, "The Financial Reporting Entity," which established standards for defining and reporting on the financial reporting entity. The discussion that follows includes not only the minimum guidelines for an entity's inclusion in the County's financial statements, but also the reasons that certain entities were excluded from the statements.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Upshur County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

#### **Related Organizations**

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of many organizations. Positions on these boards are appointed in certain instances in entirety, partially, or with Commissioners' Court members.

## **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 government. 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. The government has no business-type activities, or component units.

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. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 fund:

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

Additionally, the County reports the following fund types:

The **Private-purpose Trust Funds** are used to account for investments, interest, rents and royalties for the benefit of various school districts in the County. The revenues are distributed to the various school districts.

**Agency Funds** are used to account for assets held by the County as an agent for individuals and other governments. Agency Funds are custodial in nature and do not include measurements of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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.

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

##### **Cash and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the state. Investments are stated at fair value.

Investment earnings are allocated to the respective funds based on the cash balances outstanding at the end of each month.



## **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.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 15% of the current year tax levy.

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.

## **Prepaid Items**

Certain payments to vendor reflect costs applicable to future accounting period and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

## **Deferred Outflows/Inflows of Resources**

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

- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

- Unavailable revenue – The governmental funds report unavailable revenues from two sources: property taxes and court fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Differenced between expected and actual experience on plan investments – This difference is deferred and amortized over a five year period.

### **Compensated Absences**

The Upshur County personnel policy permits employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements.

### **Pensions**

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

### **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 court resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by Brandy Lee, 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 expenditures are incurred for purposes for which both restricted and unassigned fund balance is available, the County considers restricted funds to have been spent first. When expenditures are 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.

### **Net Position**

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

### **Prior Period Adjustment**

GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the recording of the beginning net pension asset in the amount of \$917,481, and the beginning deferred outflow for contributions made after the measurement date in the amount of \$388,850. These items cumulatively resulted in a restatement of governmental activities net position in the amount of \$1,306,331.

A prior period adjustment was made to capital assets in the amount of \$407,782 to reflect changes to the capital asset listing.

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

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$735,810 difference are as follows:

Capital outlay	\$ 1,267,868
Loss on disposal of asset	( 65,922)
Depreciation expense	( 466,136)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>735,810</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$1,337) difference are as follows:

Unavailable revenue - property taxes	\$( 13,726)
Unavailable revenue - court fines and fees	<u>12,389</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(1,337)</u>

## III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on the cash basis. Once approved, the Commissioners’ Court may amend the legally adopted budget when unexpected modifications are required in estimated revenue and appropriations.

### B. Deficit Fund Equities

#### **Special Revenue Fund**

As of September 30, 2015, the Law Library Fund had a deficit fund balance of (\$13,288). The County plans to fund these deficits through transfers from the General Fund.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

As of September 30, 2015, the County had the following investments for the Private Purpose Trusts Fund:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 42,084	40

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 funds. The Act also requires the County to have independent auditors perform 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.

##### **Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The County's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. 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.

***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, 2015, \$6,132,352 of the County's \$7,306,662 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$1,174,310 was covered by FDIC insurance.

***Credit Risk.*** It is the County's policy 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 County's investment pool is rated AAAm by Standard & Poor's Investors Service.

***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.

## **B. Receivables**

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

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 2,521,475	\$ 120,429	\$ 2,641,904
Adjudicated fines	689,712	-	689,712
Miscellaneous	<u>5,516</u>	<u>298</u>	<u>5,814</u>
Total receivables	<u>\$ 3,216,703</u>	<u>\$ 120,727</u>	<u>\$ 3,337,430</u>

### C. Capital Assets

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

#### Primary Government

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Government activities:					
Capital assets, not being depreciated:					
Land	\$ 363,816	\$ -	\$ -	\$ 52,498	\$ 416,314
Total capital assets not being depreciated	<u>363,816</u>	<u>-</u>	<u>-</u>	<u>52,498</u>	<u>416,314</u>
Capital assets, being depreciated:					
Buildings	7,648,758	-	-	1,833,862	9,482,620
Furniture and equipment	<u>7,062,941</u>	<u>1,267,868</u>	<u>( 843,954)</u>	<u>( 1,853,791)</u>	<u>5,633,064</u>
Total capital assets being depreciated	<u>14,711,699</u>	<u>1,267,868</u>	<u>( 843,954)</u>	<u>( 19,929)</u>	<u>16,803,592</u>
Less accumulated depreciation:					
Buildings	4,361,849	155,865	-	479,265	4,996,979
Furniture and equipment	<u>5,854,459</u>	<u>310,271</u>	<u>( 778,032)</u>	<u>( 854,478)</u>	<u>4,532,220</u>
Total accumulated depreciation	<u>10,216,308</u>	<u>466,136</u>	<u>( 778,032)</u>	<u>( 375,213)</u>	<u>9,529,199</u>
Total capital assets, being depreciated, net	<u>4,495,391</u>	<u>801,732</u>	<u>( 65,922)</u>	<u>355,284</u>	<u>5,586,485</u>
Governmental activities capital assets, net	\$ <u>4,859,207</u>	\$ <u>801,732</u>	\$ <u>( 65,922)</u>	\$ <u>407,782</u>	\$ <u>6,002,799</u>

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

Governmental activities:	
General government	\$ 316,275
Public safety	<u>149,861</u>
Total depreciation expense - governmental activities	\$ <u>466,136</u>

### D. Interfund Receivables, Payables and Transfers

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

#### Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental	\$ <u>21,445</u>
Total		\$ <u>21,445</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

#### Interfund Transfers:

	Transfers In	
	Nonmajor Governmental	Total
Transfers Out		
General fund	\$ 19,706	\$ 19,706
Nonmajor governmental	<u>3,600</u>	<u>3,600</u>
Total transfers out	\$ <u>23,306</u>	\$ <u>23,306</u>

#### E. Long-term Debt

General long-term debt consisted of the following as of September 30, 2015:

#### Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital leases	\$ -	\$ 979,254	\$ 315,000	\$ 664,254	\$ 75,000
Compensated absences	<u>641,525</u>	<u>316,476</u>	<u>138,225</u>	<u>819,776</u>	<u>163,955</u>
Governmental activity long-term liabilities	\$ <u>641,525</u>	\$ <u>1,295,730</u>	\$ <u>453,225</u>	\$ <u>1,484,030</u>	\$ <u>238,955</u>

The County entered into lease agreements for equipment. The future minimum lease obligations are as follows:

2016	\$ 75,000
2017	75,000
2018	75,000
2019	<u>439,254</u>
	\$ <u>664,254</u>



## **V. OTHER INFORMATION**

### **A. 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 for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

During the year ended September 30, 1990, the County established an employee medical benefit plan (the Plan) to self-insure claims up to \$75,000 per year for each individual covered; claims above \$75,000 are covered by a stop-loss insurance policy. The County and its covered employees contribute to the fund to pay claims and stop-loss insurance premiums. At September 30, 2015, officials believe that the County has made provisions sufficient to cover estimated claims, including claims incurred, but not yet reported.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

### **B. Retirement Plan**

#### **Plan Description**

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

All eligible employees of the County are required to participate in TCDRS.

## Benefits Provided

TCDRS provides retirement, disability and death benefits for all of its fulltime employees. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

Members can retire at age 60 and above with 8 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.

### *Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	142
Inactive employees entitled to but not yet receiving benefits	140
Active employees	199
	<hr/>
	481

## Contributions

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 7.25% and 6.81% in calendar years 2014 and 2015, respectively. The County's contributions to TCDRS for the year ended September 30, 2015, were \$454,689, and were equal to the required contributions.

## Net Pension Liability

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

### *Actuarial Assumptions*

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

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.1%, net of pension plan investment expense, including inflation

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

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions that determined the total pension liability as of December 31, 2014, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2015 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

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

<sup>(1)</sup> Target asset allocation adopted at the April 2015 TCDRS Board meeting.

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

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

### Discount Rate

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

## Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 30,578,127	\$ 31,495,608	\$ ( 917,481)
Changes for the year:			
Service cost	789,263	-	789,263
Interest on total pension liability <sup>(1)</sup>	2,446,329	-	2,446,329
Effect of economic/demographic gains or losses	( 412,926)	-	( 412,926)
Refund of contributions	( 57,075)	( 57,075)	-
Benefit payments	( 1,500,206)	( 1,500,206)	-
Administrative expenses	-	( 24,740)	24,740
Member contributions	-	452,976	( 452,976)
Net investment income	-	2,146,140	( 2,146,140)
Employer contributions	-	469,153	( 469,153)
Other <sup>(2)</sup>	-	( 192,260)	192,260
Balance at 12/31/2014	<u>\$ 31,843,512</u>	<u>\$ 32,789,595</u>	<u>\$ ( 946,083)</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

## Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	Current		
	1% Decrease 7.1%	Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 35,491,305	\$ 31,843,512	\$ 28,809,001
Fiduciary net position	<u>32,789,595</u>	<u>32,789,595</u>	<u>32,789,595</u>
Net pension liability/(asset)	<u>\$ 2,701,710</u>	<u>\$ ( 946,083)</u>	<u>\$ ( 3,980,594)</u>

## Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the County recognized pension expense of \$433,522.

At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 309,694
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	316,723	-
Contributions subsequent to the measurement date	<u>377,489</u>	<u>-</u>
Total	<u>\$ 694,212</u>	<u>\$ 309,694</u>

\$377,489 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

For The Year Ended September 30,	
2016	\$( 24,051)
2017	( 24,051)
2018	( 24,051)
2019	79,182
Thereafter	-

# UPSHUR COUNTY, TEXAS

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SEPTEMBER 30, 2015

Plan Year Ended December 31	2014
<b>Total Pension Liability</b>	
Service Cost	\$ 789,263
Interest total pension liability	2,446,329
Effect of economic/demographic (gains) or losses	( 412,926)
Benefit payments/refunds of contributions	( 1,557,281)
Net change in total pension liability	1,265,385
Total pension liability - beginning	30,578,127
Total pension liability - ending (a)	\$ 31,843,512
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 469,153
Member contributions	452,976
Investment income net of investment expenses	2,146,140
Benefit payments refunds of contributions	( 1,557,281)
Administrative expenses	( 24,740)
Other	( 192,261)
Net change in plan fiduciary net position	1,293,987
Plan fiduciary net position - beginning	31,495,608
Plan fiduciary net position - ending (b)	32,789,595
Net pension liability / (asset), ending (a) - (b)	\$ ( 946,083)
Fiduciary net position as a percentage of total pension liability	102.97%
Pensionable covered payroll	\$ 6,471,084
Net pension liability as a percentage of covered payroll	-14.62%

# UPSHUR COUNTY, TEXAS

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2015

<u>Fiscal Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 524,542	\$ 524,542	\$ -	\$ 6,466,763	8.1%
2015	454,689	454,689	-	6,572,191	6.9%

(1) Payroll is calculated based on contributions as reported to TCDRS.



# UPSHUR COUNTY, TEXAS

## NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2015

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry age normal
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	3.0%
<b>Salary Increases</b>	Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
<b>Investment Rate of Return</b>	8.1%
<b>Cost-of Living Adjustments</b>	Cost-of-Living Adjustments are considered to be substantively automatic under GASB 68. Therefore, an annual 100% CPI cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Experience-based table of rates based on a study of the period 2009-2012.
<b>Turnover</b>	New employees are assumed to replace any terminated members and have similar entry ages.
<b>Mortality</b>	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.
<b>Other Information</b>	There were no benefit changes during the year.

## **COMBINING FUND STATEMENTS**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Special Revenue Funds* are used to account for revenues that are legally restricted for expenditure for particular purposes. The County's Special Revenue Funds are as follows:

***CETZR***

***Sheriff's Special***

***District Clerk Records***

***D. A. Forfeiture***

***Records Management Fee***

***Records Management and Other***

***Courthouse Security***

***Local Law Enforcement Block Grant***

***County and District Court Preservation***

***Family Violence Intervention Program***

***Project Lifesaver***

***County and District Technology***

***Law Library***

***D. A. State***

***D. A. Art 53.08 Fees***

***Law Enforcement Education***

***Judicial Education***

***Child Protection Fee***

***Arson Task Force***

***Election Refund***

***FEMA***

***Drug Interdiction***

***Justice of the Peace Court Technology***

***Pritchett Water Supply Grant***

***District Clerk Record Archive***

***JP Courthouse Security***

***Records Archive Fee***

***Texas Parks & Wildlife Fines***

***Texas VINE Grant***

***JP Bond Account***

***Marion County Pro Rata***

***Court Initiated Guardianship***

***Asset Forfeiture DEA***

***Pretrial Intervention Program***

***Union Grove Water Grant***

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### **DEBT SERVICE FUND**

The *Debt Service Fund* is used to account for the accumulation of resources and payment of certificate of obligation principal and interest from governmental resources.

**UPSHUR COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue		
	104	271	222
	CETZ	Sheriff's Special	District Clerk Records
<b>ASSETS</b>			
Cash and investments	\$ 2,207	\$ 53,445	\$ 12,149
Receivables (net of allowance for uncollectibles)	-	-	-
Due from other governments	-	-	-
Total assets	<u>2,207</u>	<u>53,445</u>	<u>12,149</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	12,149
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	53,445	-
Debt service	-	-	-
Other	2,207	-	-
Unassigned	-	-	-
Total fund balances	<u>2,207</u>	<u>53,445</u>	<u>12,149</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,207</u>	<u>\$ 53,445</u>	<u>\$ 12,149</u>

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**UPSHUR COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue		
	300	274	221
	Family Violence Intervention Program	Project Lifesaver	County and District Technology
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 5,048	\$ 5,602
Receivables (net of allowance for uncollectibles)	-	-	-
Due from other governments	7,445	-	-
Total assets	7,445	5,048	5,602
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Due to other funds	7,445	-	-
Total liabilities	7,445	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	-	-	-
<b>FUND BALANCES</b>			
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	-
Court security and technology	-	-	5,602
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Other	-	5,048	-
Unassigned	-	-	-
Total fund balances	-	5,048	5,602
Total liabilities, deferred inflows, and fund balances	\$ 7,445	\$ 5,048	\$ 5,602

Special Revenue					
202	254	255	272	229	203
Law Library	D.A. State	D.A. Art 53.08 Fees	Law Enforcement Education	Judicial Education	Child Protection Fee
\$ 3,073	\$ -	\$ 29	\$ 36,063	\$ 4,865	\$ 5,331
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,073</u>	<u>-</u>	<u>29</u>	<u>36,063</u>	<u>4,865</u>	<u>5,331</u>
2,361	-	-	-	-	-
14,000	-	-	-	-	-
<u>16,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	5,331
-	-	-	-	-	-
-	-	29	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	36,063	-	-
-	-	-	-	-	-
-	-	-	-	4,865	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
( 13,288)	-	-	-	-	-
<u>( 13,288)</u>	<u>-</u>	<u>29</u>	<u>36,063</u>	<u>4,865</u>	<u>5,331</u>
\$ <u>3,073</u>	\$ <u>-</u>	\$ <u>29</u>	\$ <u>36,063</u>	\$ <u>4,865</u>	\$ <u>5,331</u>

**UPSHUR COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue		
	275	226	303
	Arson Task Force	Election Refund	FEMA
<b>ASSETS</b>			
Cash and investments	\$ 323	\$ 21,815	\$ 19,928
Receivables (net of allowance for uncollectibles)	-	-	-
Due from other governments	-	-	-
Total assets	<u>323</u>	<u>21,815</u>	<u>19,928</u>
<b>LIABILITIES</b>			
Accounts payable	-	58	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>58</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	-
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	21,757	-
Federal and state grants	-	-	19,928
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	323	-	-
Debt service	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total fund balances	<u>323</u>	<u>21,757</u>	<u>19,928</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 323</u>	<u>\$ 21,815</u>	<u>\$ 19,928</u>

Special Revenue				
290  Drug Interdiction	227 Justice of the Peace Court Technology	320 Pritchett Water Supply Grant	223 District Clerk Record Archive	228 JP Courthouse Security
\$ 2,795	\$ 66,905	\$ -	\$ 11,803	\$ 22,430
-	-	-	-	-
-	-	-	-	-
<u>2,795</u>	<u>66,905</u>	<u>-</u>	<u>11,803</u>	<u>22,430</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,795</u>	<u>66,905</u>	<u>-</u>	<u>11,803</u>	<u>22,430</u>
\$ 2,795	\$ 66,905	\$ -	\$ 11,803	\$ 22,430

# UPSHUR COUNTY, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	225	702	301
	Records Archive Fee	Texas Parks and Wildlife Fines	Texas VINE Grant
<b>ASSETS</b>			
Cash and investments	\$ 212,508	\$ 461	\$ -
Receivables (net of allowance for uncollectibles)	298	-	-
Due from other governments	-	-	-
Total assets	<u>212,806</u>	<u>461</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	-	461	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>461</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Child protection	-	-	-
County and district clerk services	212,806	-	-
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Other	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
	<u>212,806</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	\$ <u>212,806</u>	\$ <u>461</u>	\$ <u>-</u>

Special Revenue							Total Governmental Funds
184	185	230	270	251	321	400/401	
JP Bond Account	Marion County Pro Rata	Court Initiated Guardianship	Asset Forfeiture DEA	Pretrial Intervention Program	Union Grove Water Grant	Debt Service	
\$ 5,836	\$ -	\$ 16,420	\$ 16,691	\$ 23,997	\$ -	\$ 10,146	\$ 873,659
-	-	-	-	-	-	120,429	120,727
-	-	-	-	-	-	-	7,445
<u>5,836</u>	<u>-</u>	<u>16,420</u>	<u>16,691</u>	<u>23,997</u>	<u>-</u>	<u>130,575</u>	<u>1,001,831</u>
5,836	-	-	-	-	-	-	8,716
-	-	-	-	-	-	-	21,445
<u>5,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,161</u>
-	-	-	-	-	-	118,873	118,873
-	-	-	-	-	-	118,873	118,873
-	-	16,420	-	-	-	-	21,751
-	-	-	-	-	-	-	473,229
-	-	-	-	-	-	-	165,518
-	-	-	-	23,997	-	-	30,166
-	-	-	-	-	-	-	2,795
-	-	-	-	-	-	-	21,757
-	-	-	-	-	-	-	56,588
-	-	-	16,691	-	-	-	16,691
-	-	-	-	-	-	-	4,865
-	-	-	-	-	-	-	53,768
-	-	-	-	-	-	11,702	11,702
-	-	-	-	-	-	-	7,255
-	-	-	-	-	-	-	( 13,288)
<u>-</u>	<u>-</u>	<u>16,420</u>	<u>16,691</u>	<u>23,997</u>	<u>-</u>	<u>11,702</u>	<u>852,797</u>
<u>\$ 5,836</u>	<u>\$ -</u>	<u>\$ 16,420</u>	<u>\$ 16,691</u>	<u>\$ 23,997</u>	<u>\$ -</u>	<u>\$ 130,575</u>	<u>\$ 1,001,831</u>

# UPSHUR COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	104	Special Revenue 271	222
	CETRZ	Sheriff's Special	District Clerk Records
<b>REVENUES</b>			
Taxes	\$ 2,207	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	4,053
Fines and forfeitures	-	8,594	-
Interest	-	143	-
Miscellaneous	-	-	-
Total revenues	<u>2,207</u>	<u>8,737</u>	<u>4,053</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Public safety	-	48,675	-
Legal	-	-	2,348
Total expenditures	<u>-</u>	<u>48,675</u>	<u>2,348</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,207</u>	<u>( 39,938)</u>	<u>1,705</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	721	-
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>721</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,207	( 39,217)	1,705
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>92,662</u>	<u>10,444</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,207</u>	<u>\$ 53,445</u>	<u>\$ 12,149</u>

Special Revenue					
250	224	201	200	276	220
D.A. Forfeiture	Records Management Fee	Records Management and Other	Courthouse Security	Local Law Enforcement Block Grant	County and District Court Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	82,395	10,652	18,649	-	9,331
1,425	-	-	-	-	-
18	-	-	134	-	-
-	-	-	-	2,500	-
<u>1,443</u>	<u>82,395</u>	<u>10,652</u>	<u>18,783</u>	<u>2,500</u>	<u>9,331</u>
-	37,083	1,905	-	-	-
-	-	-	-	2,996	-
6,606	-	-	16,255	-	-
<u>6,606</u>	<u>37,083</u>	<u>1,905</u>	<u>16,255</u>	<u>2,996</u>	<u>-</u>
( 5,163)	<u>45,312</u>	<u>8,747</u>	<u>2,528</u>	( 496)	<u>9,331</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
( 5,163)	45,312	8,747	2,528	( 496)	9,331
<u>11,303</u>	<u>61,127</u>	<u>64,899</u>	<u>68,053</u>	<u>1,093</u>	<u>47,055</u>
\$ <u>6,140</u>	\$ <u>106,439</u>	\$ <u>73,646</u>	\$ <u>70,581</u>	\$ <u>597</u>	\$ <u>56,386</u>



# UPSHUR COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	300	274	221
	Family Violence Intervention Program	Project Lifesaver	County and District Technology
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	50,353	-	-
Charges for services	-	13	928
Fines and forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	5,210	-	-
Total revenues	<u>55,563</u>	<u>13</u>	<u>928</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Public safety	-	-	-
Legal	78,869	-	-
Total expenditures	<u>78,869</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 23,306)</u>	<u>13</u>	<u>928</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	-
Transfer in	23,306	-	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>23,306</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	13	928
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>5,035</u>	<u>4,674</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 5,048</u>	<u>\$ 5,602</u>

Special Revenue					
202	254	255	272	229	203
Law Library	D.A. State	D.A. Art 53.08 Fees	Law Enforcement Education	Judicial Education	Child Protection Fee
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	27,500	-	8,058	-	-
25,752	-	-	-	690	-
-	-	15	-	-	3,121
-	-	-	-	-	-
-	-	-	-	-	-
<u>25,752</u>	<u>27,500</u>	<u>15</u>	<u>8,058</u>	<u>690</u>	<u>3,121</u>
-	-	-	-	2,396	-
-	-	-	11,362	-	5,000
<u>29,884</u>	<u>30,366</u>	<u>1,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>29,884</u>	<u>30,366</u>	<u>1,572</u>	<u>11,362</u>	<u>2,396</u>	<u>5,000</u>
( 4,132)	( 2,866)	( 1,557)	( 3,304)	( 1,706)	( 1,879)
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
( 4,132)	( 2,866)	( 1,557)	( 3,304)	( 1,706)	( 1,879)
( 9,156)	2,866	1,586	39,367	6,571	7,210
<u>\$( 13,288)</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 36,063</u>	<u>\$ 4,865</u>	<u>\$ 5,331</u>

# UPSHUR COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	275	226	303
	Arson Task Force	Election Refund	FEMA
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	13,888	-
Fines and forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>13,888</u>	<u>-</u>
<b>EXPENDITURES</b>			
General government	-	660	-
Public safety	-	-	-
Legal	-	-	-
Total expenditures	<u>-</u>	<u>660</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>13,228</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	13,228	-
<b>FUND BALANCES, BEGINNING</b>	<u>323</u>	<u>8,529</u>	<u>19,928</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 323</u>	<u>\$ 21,757</u>	<u>\$ 19,928</u>

Special Revenue				
290	227	320	223	228
Drug Interdiction	Justice the Peace Court Technology	Pritchett Water Supply Grant	District Clerk Record Archive	JP Courthouse Security
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	171,813	-	-
-	-	-	6,817	1,694
-	6,804	-	-	-
6	-	-	11	-
-	-	-	1	-
<u>6</u>	<u>6,804</u>	<u>171,813</u>	<u>6,829</u>	<u>1,694</u>
-	1,684	171,813	-	403
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,684</u>	<u>171,813</u>	<u>-</u>	<u>403</u>
<u>6</u>	<u>5,120</u>	<u>-</u>	<u>6,829</u>	<u>1,291</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6	5,120	-	6,829	1,291
<u>2,789</u>	<u>61,785</u>	<u>-</u>	<u>4,974</u>	<u>21,139</u>
<u>\$ 2,795</u>	<u>\$ 66,905</u>	<u>\$ -</u>	<u>\$ 11,803</u>	<u>\$ 22,430</u>

# UPSHUR COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	225	702	301
	Records Archive Fee	Texas Parks and Wildlife Fines	Texas VINE Grant
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	16,500
Charges for services	81,470	-	-
Fines and forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>81,470</u>	<u>-</u>	<u>16,500</u>
<b>EXPENDITURES</b>			
General government	34,719	-	-
Public safety	-	-	16,500
Legal	-	-	-
Total expenditures	<u>34,719</u>	<u>-</u>	<u>16,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>46,751</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>46,751</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	<u>166,055</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 212,806</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue							
184	185	230	270	251	321	400/401	
JP Bond Account	Marion County Pro Rata	Court Initiated Guardianship	Asset Forfeiture DEA	Pretrial Intervention Program	Union Grove Water Grant	Debt Service	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,969	\$ 10,176
-	-	-	-	-	15,400	-	289,624
-	14,719	3,260	-	12,250	-	-	286,561
-	-	-	10,390	-	-	-	30,349
-	-	-	20	-	-	-	332
-	-	-	-	-	-	-	7,711
-	14,719	3,260	10,410	12,250	15,400	7,969	624,753
-	-	-	-	-	15,400	-	266,063
-	-	-	4,871	-	-	-	89,404
-	14,902	-	-	3,454	-	-	184,256
-	14,902	-	4,871	3,454	15,400	-	539,723
-	( 183)	3,260	5,539	8,796	-	7,969	85,030
-	-	-	-	-	-	-	721
-	-	-	-	-	-	-	23,306
-	-	-	-	( 3,600)	-	-	( 3,600)
-	-	-	-	( 3,600)	-	-	20,427
-	( 183)	3,260	5,539	5,196	-	7,969	105,457
-	183	13,160	11,152	18,801	-	3,733	747,340
\$ -	\$ -	\$ 16,420	\$ 16,691	\$ 23,997	\$ -	\$ 11,702	\$ 852,797

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## **AGENCY FUNDS**

*Agency Funds* are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The County's Agency Funds are as follows:

*State Fees*

*Child Safety*

*District Clerk Trust*

*District Clerk Bond*

*District Clerk Registry Account*

*County Clerk Bond Account*

*County Clerk Registry Account*

*Tax Assessor/Collector General*

*Tax Assessor/Collector TXDOT*

*Tax Assessor/Collector Boat and Motor*

*Tax Assessor/Collector Auto Sales Tax*

*Tax Assessor/Collector Special Inventory*

*Tax Assessor/Collector Credit Card Merchant*

*Sheriff Cash Bond*

*Jail Inmate Welfare*

*Jail Inmate Trust*

*Probation Office Juvenile*

*Probation Office Adult*

*District Attorney Operating*

*District Attorney Trust*



**UPSHUR COUNTY, TEXAS**

**COMBINING BALANCE SHEET**

**ALL AGENCY FUNDS**

**AS OF SEPTEMBER 30, 2015**

	<u>State Fees</u>	<u>Child Safety</u>	<u>District Clerk Trust</u>	<u>District Clerk Bond</u>
<b>ASSETS</b>				
Cash and investments	\$ <u>75,497</u>	\$ <u>990</u>	\$ <u>310,005</u>	\$ <u>39,451</u>
Total assets	\$ <u>75,497</u>	\$ <u>990</u>	\$ <u>310,005</u>	\$ <u>39,451</u>
<b>LIABILITIES</b>				
Due to others	\$ <u>75,497</u>	\$ <u>990</u>	\$ <u>310,005</u>	\$ <u>39,451</u>
Total liabilities	\$ <u>75,497</u>	\$ <u>990</u>	\$ <u>310,005</u>	\$ <u>39,451</u>

<u>District Clerk Registry Account</u>	<u>County Clerk Bond Account</u>	<u>County Clerk Registry Account</u>	<u>Tax Assessor/ Collector General</u>	<u>Tax Assessor/ Collector TXDOT</u>	<u>Tax Assessor/ Collector Boat and Motor</u>	<u>Tax Assessor/ Collector Auto Sales Tax</u>
\$ <u>108,400</u>	\$ <u>34,116</u>	\$ <u>613,867</u>	\$ <u>48,091</u>	\$ <u>203,654</u>	\$ <u>11,642</u>	\$ <u>240,760</u>
\$ <u>108,400</u>	\$ <u>34,116</u>	\$ <u>613,867</u>	\$ <u>48,091</u>	\$ <u>203,654</u>	\$ <u>11,642</u>	\$ <u>240,760</u>
\$ <u>108,400</u>	\$ <u>34,116</u>	\$ <u>613,867</u>	\$ <u>48,091</u>	\$ <u>203,654</u>	\$ <u>11,642</u>	\$ <u>240,760</u>
\$ <u>108,400</u>	\$ <u>34,116</u>	\$ <u>613,867</u>	\$ <u>48,091</u>	\$ <u>203,654</u>	\$ <u>11,642</u>	\$ <u>240,760</u>

# UPSHUR COUNTY, TEXAS

## COMBINING BALANCE SHEET

### ALL AGENCY FUNDS

AS OF SEPTEMBER 30, 2015

	<u>Tax Assessor/ Collector Special Inventory</u>	<u>Tax Assessor/ Collector Credit Card Merchant</u>	<u>Sheriff Cash Bond</u>	<u>Jail Inmate Welfare</u>	<u>Jail Inmate Trust</u>	<u>Probation Office Juvenile</u>
<b>ASSETS</b>						
Cash and investments	\$ <u>47,678</u>	\$ <u>2,276</u>	\$ <u>7,514</u>	\$ <u>153,152</u>	\$ <u>2,632</u>	\$ <u>414,651</u>
Total assets	\$ <u>47,678</u>	\$ <u>2,276</u>	\$ <u>7,514</u>	\$ <u>153,152</u>	\$ <u>2,632</u>	\$ <u>414,651</u>
<b>LIABILITIES</b>						
Due to others	\$ <u>47,678</u>	\$ <u>2,276</u>	\$ <u>7,514</u>	\$ <u>153,152</u>	\$ <u>2,632</u>	\$ <u>414,651</u>
Total liabilities	\$ <u>47,678</u>	\$ <u>2,276</u>	\$ <u>7,514</u>	\$ <u>153,152</u>	\$ <u>2,632</u>	\$ <u>414,651</u>

<u>Probation Office Adult</u>	<u>District Attorney Operating</u>	<u>District Attorney Trust</u>	<u>Totals</u>
\$ <u>491,656</u>	\$ <u>1,338</u>	\$ <u>715</u>	\$ <u>2,808,085</u>
\$ <u>491,656</u>	\$ <u>1,338</u>	\$ <u>715</u>	\$ <u>2,808,085</u>
\$ <u>491,656</u>	\$ <u>1,338</u>	\$ <u>715</u>	\$ <u>2,808,085</u>
\$ <u>491,656</u>	\$ <u>1,338</u>	\$ <u>715</u>	\$ <u>2,808,085</u>

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## **COMPLIANCE SECTION**

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

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

To the Honorable Judge and  
County Commissioners  
Upshur County, Texas  
Gilmer, 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 Upshur County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 8, 2016.

***Internal Control over Financial Reporting***

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (Items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

### **Upshur County's Response to Findings**

Upshur County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Upshur County's 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 of 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.

*Patricia Brown Hill, L.L.P.*

Waco, Texas  
September 8, 2016

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-001**

<u>Condition:</u>	The District Clerk's office only has one cash drawer per office. This allows all of the clerks in the office to share the same cash drawer.
<u>Effect:</u>	Revenues may be misappropriated and the financial statements understated if all clerks have access to the same cash drawer.
<u>Cause:</u>	Only one cash drawer is located in the District Clerk's office and all clerks must use the same cash drawer to complete transactions.
<u>Recommendation:</u>	Each Clerk performing financial transactions should have his or her individual cash bag that he or she is responsible so if an error or misappropriation of funds occurs, the incident may be isolated to one Clerk. Management should issue each Clerk his or her own cash bag.
<u>Management's Response:</u>	The County Auditor has discussed with the District Clerk that the District Clerk's office will be issued additional change funds so each cashier will maintain a separate cash drawer.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

## UPSHUR COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND RESPONSES (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Item 2015-002

<u>Condition:</u>	Justice of the Peace clerks have the ability to dismiss cases without obtaining authorization or validity prior to execution of the dismissal.
<u>Effect:</u>	Revenues may be understated in the financial statements if cases are inappropriately dismissed.
<u>Cause:</u>	The user rights on County software permit Clerks to inappropriately dismiss non-adjudicated cases.
<u>Recommendation:</u>	Only Justices of the Peace should have the ability to dismiss non-adjudicated cases. User rights should be redefined to ensure clerks do not have the capability to dismiss cases that may otherwise be adjudicated.
<u>Management's Response:</u>	A memo from the County Auditor's office was sent out to the Justice of the Peace offices that the Auditor's office will require a monthly report of dismissed cases signed by the Judge. In addition, the County Auditor will require a monthly report of all fees assessed.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-003**

<u>Condition:</u>	Change made for Library customers is made from another entity's cash bag.
<u>Effect:</u>	Cash is intermingled and could become appropriated to the incorrect entity.
<u>Cause:</u>	As the installation of fines and fees is a new procedure for the library, a change bag is not assigned to the Library.
<u>Recommendation:</u>	The Library needs an assigned change bag to make change for Library customers.
<u>Management's Response:</u>	The Library will be issued a change fund to be used for issuing change for all Upshur County Library transactions.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-004**

<u>Condition:</u>	Revenues received from the Library are not appropriately safeguarded and secured overnight in a locked area.
<u>Effect:</u>	The potential for theft is higher if the cash is not secured properly overnight.
<u>Cause:</u>	The Library staff was unaware of the need to secure funds kept at the Library overnight.
<u>Recommendation:</u>	All funds should be secured each night in a desk, safe, or other locked vessel.
<u>Management's Response:</u>	The County Auditor will draft a policy regarding the collection and reporting of Library fees and fines, which will include the requirement for maintaining cash overnight in a secured location.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-005**

<u>Condition:</u>	Library cash is not balanced on a daily basis to the daily reports.
<u>Effect:</u>	If an error is made or if theft occurs, it will be difficult to determine when the issue occurs and who caused such issue.
<u>Cause:</u>	Due to the small amounts of revenue received on a daily basis, the Library has not been balancing cash on a daily basis.
<u>Recommendation:</u>	The Library should balance cash receipts to cash reports on a daily basis.
<u>Management's Response:</u>	The County Auditor will draft a policy regarding the collection and reporting of Library fees and fines, which will include the requirement for daily balancing.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

## UPSHUR COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND RESPONSES (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Item 2015-006

<u>Condition:</u>	The Librarian has the sole power to allow forgiveness of fines without County approved guidelines.
<u>Effect:</u>	Abuse of forgiveness may occur to the detriment of the Library.
<u>Cause:</u>	The County has not established an official Commissioner approved policy for forgiveness of fines.
<u>Recommendation:</u>	The County should establish a policy for fine forgiveness and those forgiven fines should be indicated as such on daily reports and are subject to review by the County Auditor and other County officials.
<u>Management's Response:</u>	The County Auditor will recommend to the Upshur County Commissioner's Court that the Court adopt a policy addressing the forgiveness of fines.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-007**

<u>Condition:</u>	Forgiven fines appear as paid fines on the daily/weekly/monthly reports.
<u>Effect:</u>	Receipts do not match revenues reported.
<u>Cause:</u>	The Library staff is unaware how to or if the software can be formatted to correctly reflect a forgiven fine as forgiven rather than paid.
<u>Recommendation:</u>	The software should be modified to correctly identify forgiven fines versus paid fines.
<u>Management's Response:</u>	The County Auditor's office will look into the capabilities of the Library's Biblionix system to ascertain whether additional customized parameters can be added to differentiate between fines paid and fines forgiven. Until that procedure is implemented, the County Librarian will be instructed to maintain a list of all fines forgiven.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately



**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2014-001**

<u>Condition:</u>	Justice of the Peace clerks have the ability to void transactions without obtaining authorization or validity prior to execution of the void.
<u>Effect:</u>	Revenues may be misappropriated and the financial statements understated if transactions are inappropriately voided from the software.
<u>Cause:</u>	Voided transactions are not validated by supervisors within individual offices nor are these transactions reviewed by the Auditor's or the Treasurer's offices.
<u>Recommendation:</u>	All voids issued should require an explanation. A copy of the voided receipt, along with the newly issued receipt, if applicable, should be included with the daily deposit delivered to the Auditor's Office. Management should create a void policy to dictate the review of these transactions.
<u>Management's Response:</u>	The County Auditor will create a void policy and notify all fee collecting offices immediately. Clerks will be required to provide explanations for all voids. Department heads will be required to sign off on these explanations and provide them to the County Auditor along with their monthly reports.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately
<u>Current Status:</u>	This matter has been resolved.

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**


**Item 2014-002**

<u>Condition:</u>	Justice of the Peace clerks have the ability to dismiss cases without obtaining authorization or validity prior to execution of the dismissal.
<u>Effect:</u>	Revenues may be understated in the financial statements if cases are inappropriately dismissed.
<u>Cause:</u>	The user rights on County software permit Clerks to inappropriately dismiss non-adjudicated cases.
<u>Recommendation:</u>	Only Justices of the Peace should have the ability to dismiss non-adjudicated cases. User rights should be redefined to ensure clerks do not have the capability to dismiss cases that may otherwise be adjudicated.
<u>Management's Response:</u>	The County's current judicial software does not feature a security designation that would allow us to limit a user's choice of disposition codes. Additionally, while this recommendation sounds feasible in the private sector, the County most likely does not have the authority to enforce a policy that would dictate which employees can or cannot perform data input duties within an elected official's office. However, we can begin gathering statistics on dismissals, and incorporating them into routine Justice Court audits.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	September 30, 2015
<u>Current Status:</u>	This matter is in progress.

**UPSHUR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2014-003**

<u>Condition:</u>	Jury checks, written out of the general operating account, are not endorsed with the two required signatures as set by the County Commissioners.
<u>Effect:</u>	Funds may be misappropriated creating an inflation of expenses and understating the financial statements.
<u>Cause:</u>	The Treasurer's Office does not require a second signature on any payment related to juror reimbursements written from the operating account and instead stamps each check with a "second signature not required" stamped.
<u>Recommendation:</u>	Any check written out of the general operating account should contain both signatures as required by law and the statutes set forth by the Commissioner's Court. If only one signature is requested for juror reimbursements, the County might consider opening a separate checking account for this purpose.
<u>Management's Response:</u>	The County will begin obtaining a counter signature by the County Auditor or the Assistant County Auditor on all jury disbursements.
<u>Contact Person Responsible for Corrective Action:</u>	Brandy Lee, County Auditor
<u>Anticipated Completion Date:</u>	Immediately.
<u>Current Status:</u>	This matter is resolved.

FILED  
TERRI ROSS  
COUNTY CLERK  
2016 SEP 15 PM 12:37  
UPSHUR COUNTY, TX.  
BY  DEPUTY