

UPSHUR COUNTY

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2018**

WITH INDEPENDENT AUDITORS' REPORT

UPSHUR COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2018

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis	4 – 7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	14
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements.....	17 – 34

UPSHUR COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2018

	<u>Page Number</u>
Required Supplementary Information	
Schedule of Changes in Net Pension Liability and Related Ratios	35
Schedule of Employer Contributions.....	36
Notes to Schedule of Employer Contributions	37
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	38 – 45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46 – 53
Agency Funds	
Combining Statement of Changes in Assets and Liabilities.....	54 – 57
 INTERNAL CONTROL AND COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	58 – 59
Schedule of Prior Year Findings and Responses	60 – 66

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITORS' REPORT

Honorable County Judge and
Members of the 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, 2018, 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.

Auditor's Responsibility

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County, Texas, as of September 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as presented in the table of contents, 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 fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 August 12, 2019, 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.

Patillo, Brown & Hill, L.L.P.

Waco, Texas
August 12, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

UPSHUR COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Upshur County, Texas (the "County") offers this narrative overview and analysis of the financial activities of the primary government for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- At September 30, 2018, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$11,447,327 (its "net position").
- Of this amount, \$5,012,821 is unrestricted, \$1,355,565 is restricted for specific purposes (restricted net position), and \$5,078,941 is invested in capital assets, net of related debt.
- The County's total net position increased by \$748,518, or 7%, over the course of this year's operations.
- As of September 30, 2018, the County's governmental funds reported combined fund balances of \$4,437,095, which represents a 42% 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, deferred outflows/inflows of resources and liabilities, with the difference between the four 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 35 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

A significant portion of the County's current fiscal year net position (44% 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.

One portion of the County's current fiscal year net position (44% 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 2018	Governmental Activities 2017
Revenues:		
Program revenues:		
Charges for services	\$ 2,298,601	\$ 1,727,687
Operating grants and contributions	1,097,743	921,309
General revenues:		
Property taxes, levied for general purposes	11,606,781	10,143,051
Sales taxes	1,203,604	1,000,025
Investment earnings	32,971	10,869
Miscellaneous	607,306	593,330
Total revenues	<u>16,847,006</u>	<u>14,396,271</u>
Expenses:		
General government	6,648,656	7,424,262
Public safety	4,474,016	4,304,278
Public transportation	2,905,812	2,967,523
Legal	1,875,825	1,797,536
Library	173,020	172,821
Interest on long-term debt	21,159	65,861
Total expenses	<u>16,098,488</u>	<u>16,732,281</u>
Change in net position	748,518	(2,336,010)
Net position - beginning	<u>10,698,809</u>	<u>13,034,819</u>
Net position - ending	<u>\$ 11,447,327</u>	<u>\$ 10,698,809</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, 2018, the County's governmental funds reported combined fund balances of \$4,437,095, an increase of 42% from the prior year.

The General Fund is the chief operating fund of the County. At September 30, 2018, the General Fund reported revenues of \$15,862,167 and expenditures of \$15,398,866.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual revenues were more than budgeted estimates by \$508,542. Actual expenditures were less than budgeted estimates by \$29,507. The net effect resulted in a positive variance of \$538,049.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets for its governmental activities as of September 30, 2018, amounted to \$5,800,069 (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, 2018, the County had total long-term debt outstanding of \$1,335,543. 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 2018 and estimated revenues to be received in fiscal year 2019. Budgeted revenues to the General Fund total \$15,664,593 and budgeted expenditures total \$15,676,614 resulting in a deficit of \$12,021. Road repairs from damages is the primary reason for the deficit.

For 2018-2019, the property tax rate is \$0.5950 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**

THIS PAGE LEFT BLANK INTENTIONALLY

UPSHUR COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

Governmental
Activities

ASSETS

Cash and investments	\$ 4,892,073 ✓
Receivables, net of allowances for uncollectibles	2,703,508 ✓
Prepaid expenses	131,665 ✓
Due from other governments	42,372 ✓
Net pension asset	421,314
Capital assets:	
Land	460,998
Buildings	9,482,620
Furniture and equipment	6,637,175
Less: accumulated depreciation	(10,780,724)
Total capital assets, net of accumulated depreciation	<u>5,800,069</u>
Total assets	<u>13,991,001</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>581,242</u>
Total deferred outflows of resources	<u>581,242</u>

LIABILITIES

Accounts payable and accrued liabilities	888,933 ✓
Accrued interest payable	11,915
Noncurrent liabilities:	
Due within one year	757,628
Due in more than one year	<u>577,915</u>
Total liabilities	<u>2,236,391</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>888,525</u>
Total deferred inflows of resources	<u>888,525</u>

NET POSITION

Net investment in capital assets	5,078,941
Restricted for:	
Other purposes	1,355,565
Unrestricted	<u>5,012,821</u>
Total net position	<u>\$ 11,447,327</u>

THIS PAGE LEFT BLANK INTENTIONALLY

UPSHUR COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 6,648,656	\$ 1,605,135	\$ 178,541	\$(4,864,980)
Public safety	4,474,016	105,822	845,076	(3,523,118)
Public transportation	2,905,812	-	40,156	(2,865,656)
Legal	1,875,825	559,251	33,970	(1,282,604)
Library	173,020	28,393	-	(144,627)
Interest on long-term debt	21,159	-	-	(21,159)
Total governmental activities	<u>\$ 16,098,488</u>	<u>\$ 2,298,601</u>	<u>\$ 1,097,743</u>	<u>(12,702,144)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				11,606,781
Sales taxes				1,203,604
Investment earnings				32,971
Miscellaneous				607,306
Total general revenues				<u>13,450,662</u>
Change in net position				748,518
Net position, beginning				<u>10,698,809</u>
Net position, ending				<u>\$ 11,447,327</u>

UPSHUR COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 3,525,416	\$ 1,366,657	\$ 4,892,073 ✓
Receivables (net of allowance for uncollectibles)	2,621,068	82,440	2,703,508 ✓
Prepaid expenses	131,493	172	131,665 ✓
Due from other funds	26,792	3,305	30,097
Due from other governments	<u>27,061</u>	<u>15,311</u>	<u>42,372 ✓</u>
Total assets	<u>6,331,830</u>	<u>1,467,885</u>	<u>7,799,715</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	877,240	11,693	888,933 ✓
Due to other funds	<u>3,305</u>	<u>26,792</u>	<u>30,097</u>
Total liabilities	<u>880,545</u>	<u>38,485</u>	<u>919,030</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,070,883	81,575	2,152,458
Unavailable revenue - court fines and fees	<u>291,132</u>	<u>-</u>	<u>291,132</u>
Total deferred inflows of resources	<u>2,362,015</u>	<u>81,575</u>	<u>2,443,590</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	131,493	172	131,665
Restricted for:			
County and district clerk services	-	25,866	25,866
Court security and technology	-	140,777	140,777
District Attorney	-	27,195	27,195
Law library	-	2,817	2,817
Drug enforcement	-	4,598	4,598
Elections	-	64,084	64,084
Federal and state grants	-	490,528	490,528
Forfeiture	-	53,152	53,152
Judicial education	-	490,745	490,745
Law enforcement	-	1,253	1,253
Debt service	-	28,245	28,245
Other	-	26,305	26,305
Assigned:			
Budgeted deficit for next fiscal year	12,021	-	12,021
Unassigned	<u>2,945,756</u>	<u>(7,912)</u>	<u>2,937,844</u>
Total fund balances	<u>3,089,270</u>	<u>1,347,825</u>	<u>4,437,095</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,331,830</u>	<u>\$ 1,467,885</u>	<u>\$ 7,799,715</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, 2018

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

Total fund balances - governmental funds	\$ 4,437,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,800,069
The net pension asset is not an available resource and, therefore, is not reported in the funds.	114,031
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,443,590
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,347,458)
Net position of governmental activities	<u>\$ 11,447,327</u>

UPSHUR COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 12,645,968	\$ 11,916	\$ 12,657,884
Licenses and permits	976,230	-	976,230
Intergovernmental	383,449	825,488	1,208,937
Charges for services	1,077,282	339,045	1,416,327
Fines and forfeitures	437,600	11,226	448,826
Interest	30,186	2,785	32,971
Miscellaneous	<u>311,452</u>	<u>28,057</u>	<u>339,509</u>
Total revenues	<u>15,862,167</u>	<u>1,218,517</u>	<u>17,080,684</u>
EXPENDITURES			
Current:			
General government	6,336,002	171,654	6,507,656
Public safety	4,276,160	57,814	4,333,974
Public transportation	2,721,975	-	2,721,975
Legal	1,684,098	194,250	1,878,348
Library	173,565	-	173,565
Debt service:			
Principal	182,715	-	182,715
Interest	<u>24,351</u>	<u>-</u>	<u>24,351</u>
Total expenditures	<u>15,398,866</u>	<u>423,718</u>	<u>15,822,584</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>463,301</u>	<u>794,799</u>	<u>1,258,100</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	<u>63,375</u>	<u>-</u>	<u>63,375</u>
Total other financing sources and (uses)	<u>63,375</u>	<u>-</u>	<u>63,375</u>
NET CHANGE IN FUND BALANCES	526,676	794,799	1,321,475
FUND BALANCES, BEGINNING	<u>2,562,594</u>	<u>553,026</u>	<u>3,115,620</u>
FUND BALANCES, ENDING	<u>\$ 3,089,270</u>	<u>\$ 1,347,825</u>	<u>\$ 4,437,095</u>

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, 2018

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)	\$ 1,321,475
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(477,056)
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.	345,894
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(260,933)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(36,120)
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>(144,742)</u>
Change in net position of governmental activities (page 9)	<u>\$ 748,518</u>

THIS PAGE LEFT BLANK INTENTIONALLY

UPSHUR COUNTY, TEXAS

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

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,466,025	\$ 12,466,025	\$ 12,645,968	\$ 179,943
Licenses and permits	978,000	978,000	976,230	(1,770)
Intergovernmental	214,727	379,770	383,449	3,679
Charges for services	949,145	949,145	1,077,282	128,137
Fines	363,600	363,600	437,600	74,000
Interest	9,185	9,185	30,186	21,001
Miscellaneous	203,800	207,900	311,452	103,552
Total revenues	15,184,482	15,353,625	15,862,167	508,542
EXPENDITURES				
Current:				
General government	6,385,482	6,209,104	6,336,002	(126,898)
Public safety	4,159,235	4,355,915	4,276,160	79,755
Public transportation	2,652,550	2,765,263	2,721,975	43,288
Legal	1,668,261	1,717,763	1,684,098	33,665
Library	172,986	172,986	173,565	(579)
Debt service:				
Principal	182,991	182,991	182,715	276
Interest	24,351	24,351	24,351	-
Total expenditures	15,245,856	15,428,373	15,398,866	29,507
EXCESS OF REVENUES OVER EXPENDITURES	(61,374)	(74,748)	463,301	538,049
OTHER FINANCING SOURCES				
Insurance recoveries	50,000	63,375	63,375	-
Total other financing sources	50,000	63,375	63,375	-
NET CHANGE IN FUND BALANCES	(11,374)	(11,373)	526,676	538,049
FUND BALANCES, BEGINNING	2,562,594	2,562,594	2,562,594	-
FUND BALANCES, ENDING	\$ 2,551,220	\$ 2,551,221	\$ 3,089,270	\$ 538,049

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

UPSHUR COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	<u>Private Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ <u>481,090</u>	\$ <u>2,917,519</u>
Total assets	<u>481,090</u>	<u>2,917,519</u>
LIABILITIES		
Due to others	-	2,917,519
Unearned revenue	<u>194,746</u>	<u>-</u>
Total liabilities	<u>194,746</u>	<u>2,917,519</u>
NET POSITION		
Held in trust for school use	\$ <u><u>286,344</u></u>	\$ <u><u>-</u></u>

UPSHUR COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions:	
Lease of land	\$ 266,920
Total contributions	<u>266,920</u>
Investment earnings:	
Interest	<u>1,288</u>
Total investment earnings	<u>1,288</u>
Total additions	<u>268,208</u>
DEDUCTIONS	
Available fund allocation	200,000
Taxes	<u>15,006</u>
Total deductions	<u>215,006</u>
CHANGE IN NET POSITION	53,202
NET POSITION, BEGINNING	<u>233,142</u>
NET POSITION, ENDING	<u>\$ 286,344</u>

THIS PAGE LEFT BLANK INTENTIONALLY

UPSHUR COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

GASB Statement No. 14, "*The Financial Reporting Entity*," establishes criteria that should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were 1) financial accountability, 2) appointment of voting majority, 3) imposition of will, 4) financial burden to or a burden on a primary government, and 5) financial accountability as a result of fiscal dependency.

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 revenues* 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 revenues*.

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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

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 42% of the total tax receivable balance.

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 periods 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 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 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.
- Changes in economic or demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

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, court fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five-year period.

- Difference between 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.

Capital Assets

Capital Assets, which included property and equipment, are included in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Compensated Absences

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

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 the 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.

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 (\$477,056) difference are as follows:

Capital outlay	\$	163,458
Depreciation expense	(<u>640,514</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>(477,056)</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 (\$260,933) difference are as follows:

Unavailable revenue - property taxes	\$	152,501
Unavailable revenue - court fines and fees	(82,191)
Unavailable revenue - grants	(<u>331,243</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>(260,933)</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.

Excess of Expenditures over Appropriations

General Government and Library expenditures exceeded appropriations by \$126,898 and \$579, respectively. These overages were funded with greater than anticipated revenue.

B. Deficit Fund Balances

The following funds had deficit equity balances as of September 30, 2018:

<u>Governmental funds</u>	<u>Deficit</u>
Family Violence Intervention Program	\$ 792
Law Library	6,225
Victims' Assistance Grant	<u>895</u>
Total	<u>\$ 7,912</u>

If funding from outside sources does not become available to cover these deficit fund balances, the County plans to transfer funds to cover the deficit.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,066,467	28

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.

TexPool, the Texas Local Government Investment Pool, operates in a manner consistent with GASB No. 79 criteria. The County’s investment in TexPool is reported at amortized cost. The pool is subject to regulatory oversight by the Texas State Comptroller, although it is not registered with the Securities and Exchange Commission (“SEC”).

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, 2018, the County’s deposit value was fully collateralized with securities held by the pledging financial institutions.

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 fund</u>	<u>Nonmajor governmental</u>	<u>Total</u>
Receivables:			
Taxes	\$ 3,825,998	\$ 139,367	\$ 3,965,365
Adjudicated fines	1,455,669	-	1,455,669
Miscellaneous	1,262	194	1,456
Allowance	<u>(2,661,861)</u>	<u>(57,121)</u>	<u>(2,718,982)</u>
Total receivables	<u>\$ 2,621,068</u>	<u>\$ 82,440</u>	<u>\$ 2,703,508</u>

C. Capital Assets

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

	<u>Ending Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 460,998	\$ -	\$ -	\$ 460,998
Total capital assets not being depreciated	<u>460,998</u>	<u>-</u>	<u>-</u>	<u>460,998</u>
Capital assets, being depreciated:				
Buildings	9,482,620	-	-	9,482,620
Furniture and equipment	6,518,867	163,458	(45,150)	6,637,175
Total capital assets being depreciated	<u>16,001,487</u>	<u>163,458</u>	<u>(45,150)</u>	<u>16,119,795</u>
Less accumulated depreciation:				
Buildings	5,308,709	155,865	-	5,464,574
Furniture and equipment	4,840,531	484,649	(9,030)	5,316,150
Total accumulated depreciation	<u>10,149,240</u>	<u>640,514</u>	<u>(9,030)</u>	<u>10,780,724</u>
Total capital assets, being depreciated, net	<u>5,852,247</u>	<u>(477,056)</u>	<u>(36,120)</u>	<u>5,339,071</u>
Governmental activities capital assets, net	<u>\$ 6,313,245</u>	<u>\$(477,056)</u>	<u>\$(36,120)</u>	<u>\$ 5,800,069</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 161,830
Public safety	172,650
Public transportation	302,651
Legal	<u>3,383</u>
Total depreciation expense - governmental activities	<u>\$ 640,514</u>

D. Interfund Receivables, Payables

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental	\$ 26,792
Nonmajor governmental	General fund	<u>3,305</u>
Total		<u>\$ 30,097</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.

E. Long-term Debt

The County has entered into several capital lease agreements for the purchase of equipment. Payments for the equipment during the fiscal year ended September 30, 2018 totaled . Payments, including interest of 2.55% to 2.99%, are due as follows as of September 30, 2018:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2019	\$ 634,745
2020	55,319
2021	<u>55,144</u>
Total minimum lease payments	745,208
Less: amounts representing interest	<u>(24,080)</u>
Present value of minimum lease payments	<u>\$ 721,128</u>

The assets acquired through capital leases are as follows:

Equipment	\$ 1,039,888
Accumulated depreciation	(731,046)
Equipment, net	\$ <u>308,842</u>

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2018, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 903,843	\$ -	\$ 182,715	\$ 721,128	\$ 634,745
Compensated absences	<u>777,594</u>	<u>339,892</u>	<u>503,071</u>	<u>614,415</u>	<u>122,883</u>
Governmental activity long-term liabilities	\$ <u>1,681,437</u>	\$ <u>339,892</u>	\$ <u>685,786</u>	\$ <u>1,335,543</u>	\$ <u>757,628</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, 2018, 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, 2018, 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.

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

Benefits Provided

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

Members can retire at 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. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	188
Active employees	215
	<hr/>
	544
	<hr/>

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 6.13% and 6.60% in calendar years 2017 and 2018, respectively. The County’s contributions to TCDRS for the year ended September 30, 2018, were \$482,898, and were equal to the required contributions.

Net Pension Asset

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

Actuarial Assumptions

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

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

The County has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

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

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

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

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

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

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

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

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

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

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

Discount Rate

The discount 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 Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 35,078,920	\$ 33,004,692	\$ 2,074,228
Changes for the year:			
Service cost	767,721	-	767,721
Interest on total pension liability ⁽¹⁾	2,822,134	-	2,822,134
Effect of economic/demographic gains or losses	(530,616)	-	(530,616)
Effect of assumptions changes or inputs	131,632	-	131,632
Refund of contributions	(175,515)	(175,515)	-
Benefit payments	(1,875,366)	(1,875,366)	-
Administrative expenses	-	(24,367)	24,367
Member contributions	-	495,692	(495,692)
Net investment income	-	4,799,450	(4,799,450)
Employer contributions	-	430,934	(430,934)
Other ⁽²⁾	-	(15,296)	15,296
Balance at 12/31/2017	<u>\$ 36,218,910</u>	<u>\$ 36,640,224</u>	<u>\$(421,314)</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension asset of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension asset 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	\$ 40,409,714	\$ 36,218,910	\$ 32,653,700
Fiduciary net position	<u>36,640,224</u>	<u>36,640,224</u>	<u>36,640,224</u>
Net pension liability/(asset)	<u>\$ 3,769,490</u>	<u>\$(421,314)</u>	<u>\$(3,986,524)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the County recognized pension expense of \$590,856. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,963	\$ 442,569
Changes in actuarial assumptions	185,907	-
Difference between projected and actual investment earnings	-	445,956
Contributions subsequent to the measurement date	<u>371,372</u>	<u>-</u>
Total	<u>\$ 581,242</u>	<u>\$ 888,525</u>

\$371,372 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 asset for the year ending September 30, 2019. 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,	
2019	\$ 187,420
2020	65,663
2021	(497,280)
2022	(434,458)

REQUIRED SUPPLEMENTARY INFORMATION

UPSHUR COUNTY, TEXAS

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

SEPTEMBER 30, 2018

Measurement Date December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 767,721	\$ 820,431	\$ 788,144	\$ 789,263
Interest total pension liability	2,822,134	2,664,959	2,547,645	2,446,329
Effect of plan changes	-	-	(73,696)	-
Effect of assumption changes or inputs	131,632	-	348,733	-
Effect of economic/demographic (gains) or losses	(530,616)	47,927	(178,427)	(412,926)
Benefit payments/refunds of contributions	(2,050,881)	(1,869,364)	(1,860,913)	(1,557,281)
Net change in total pension liability	1,139,990	1,663,953	1,571,486	1,265,385
Total pension liability - beginning	<u>35,078,920</u>	<u>33,414,998</u>	<u>31,843,512</u>	<u>30,578,127</u>
Total pension liability - ending (a)	<u>\$ 36,218,910</u>	<u>\$ 35,078,951</u>	<u>\$ 33,414,998</u>	<u>\$ 31,843,512</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 430,934	\$ 457,678	\$ 450,549	\$ 469,153
Member contributions	495,692	486,893	463,120	452,976
Investment income net of investment expenses	4,799,450	2,341,438	(114,861)	2,146,140
Benefit payments refunds of contributions	(2,050,881)	(1,869,364)	(1,860,914)	(1,557,281)
Administrative expenses	(24,367)	(25,427)	(23,151)	(24,740)
Other	(15,296)	(75,068)	(15,765)	(192,261)
Net change in plan fiduciary net position	3,635,532	1,316,150	(1,101,022)	1,293,987
Plan fiduciary net position - beginning	<u>33,004,692</u>	<u>31,688,573</u>	<u>32,789,595</u>	<u>31,495,608</u>
Plan fiduciary net position - ending (b)	<u>36,640,224</u>	<u>33,004,723</u>	<u>31,688,573</u>	<u>32,789,595</u>
Net pension liability / (asset), ending (a) - (b)	<u>\$(421,314)</u>	<u>\$ 2,074,228</u>	<u>\$ 1,726,425</u>	<u>\$(946,083)</u>
Fiduciary net position as a percentage of total pension liability	101.16%	94.09%	94.83%	102.97%
Pensionable covered payroll	\$ 7,029,861	\$ 6,955,616	\$ 6,615,994	\$ 6,471,084
Net pension liability/(asset) as a percentage of covered payroll	-5.99%	29.82%	26.09%	-14.62%

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.

UPSHUR COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2018

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	\$ 524,542	\$ 524,542	\$ -	\$ 6,466,763	8.1%
2015	454,689	454,689	-	6,572,191	6.9%
2016	457,380	457,380	-	6,892,415	6.6%
2017	433,992	433,992	-	6,951,911	6.2%
2018	482,898	482,898	-	7,446,203	6.5%

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

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.

UPSHUR COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2018

Valuation Timing 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.

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.0 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

**Only changes effective 2015 and later are shown in the Notes to the Schedule of Employer Contributions.*

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:

CETRZ

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. 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

District Clerk Record Archive

JP Courthouse Security

Records Archive Fee

Texas Parks & Wildlife Fines

JP Bond Account

Victims' Assistance Grant

Court Initiated Guardianship

Asset Forfeiture DEA

Pretrial Intervention Program

Tax Office VIT Interest Fund

Pritchett Water Supply Grant

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2018

	104	Special Revenue 271	222
	CETZRZ	Sheriff's Special	District Clerk Records
ASSETS			
Cash and investments	\$ 20,960	\$ 490,507	\$ 16,156
Receivables (net of allowance for uncollectibles)	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>20,960</u>	<u>490,507</u>	<u>16,156</u>
LIABILITIES			
Accounts payable	-	85	27
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>85</u>	<u>27</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Prepaid items	-	-	-
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	16,129
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	490,422	-
Debt service	-	-	-
Other	20,960	-	-
Unassigned	-	-	-
Total fund balances	<u>20,960</u>	<u>490,422</u>	<u>16,129</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 20,960</u>	<u>\$ 490,507</u>	<u>\$ 16,156</u>

UPSHUR COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue		
	300	274	221
	Family Violence Intervention Program	Project Lifesaver	County and District Technology
ASSETS			
Cash and investments	\$ -	\$ 5,048	\$ 7,324
Receivables (net of allowance for uncollectibles)	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from other governments	8,663	-	-
Total assets	8,663	5,048	7,324
LIABILITIES			
Accounts payable	697	-	-
Due to other funds	8,758	-	-
Total liabilities	9,455	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Prepaid items	-	-	-
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	-
Court security and technology	-	-	7,324
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Other	-	5,048	-
Unassigned	(792)	-	-
Total fund balances	(792)	5,048	7,324
Total liabilities, deferred inflows, and fund balances	\$ 8,663	\$ 5,048	\$ 7,324

Special Revenue

202	255	272	229	203	275
Law Library	D.A. Art 53.08 Fees	Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force
\$ 7,577	\$ 187	\$ 32,163	\$ 4,598	\$ 786	\$ 323
-	-	194	-	-	-
-	-	172	-	-	-
-	-	-	-	-	-
<u>7,577</u>	<u>187</u>	<u>32,529</u>	<u>4,598</u>	<u>786</u>	<u>323</u>
1,802	-	-	-	-	-
12,000	-	-	-	-	-
<u>13,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	172	-	-	-
-	-	-	-	786	-
-	-	-	-	-	-
-	187	-	-	-	-
-	-	-	-	-	-
-	-	32,357	-	-	-
-	-	-	4,598	-	-
-	-	-	-	-	323
-	-	-	-	-	-
(6,225)	-	-	-	-	-
<u>(6,225)</u>	<u>187</u>	<u>32,529</u>	<u>4,598</u>	<u>786</u>	<u>323</u>
<u>\$ 7,577</u>	<u>\$ 187</u>	<u>\$ 32,529</u>	<u>\$ 4,598</u>	<u>\$ 786</u>	<u>\$ 323</u>

UPSHUR COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue		
	226	303	290
	Election Refund	FEMA	Drug Interdiction
ASSETS			
Cash and investments	\$ 64,124	\$ 19,691	\$ 2,817
Receivables (net of allowance for uncollectibles)	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	64,124	19,691	2,817
LIABILITIES			
Accounts payable	40	-	-
Due to other funds	-	-	-
Total liabilities	40	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Prepaid items	-	-	-
Restricted for:			
Child protection	-	-	-
County and district clerk services	-	-	-
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	2,817
Elections	64,084	-	-
Federal and state grants	-	19,691	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total fund balances	64,084	19,691	2,817
Total liabilities, deferred inflows, and fund balances	\$ 64,124	\$ 19,691	\$ 2,817

Special Revenue

<u>227 Justice of the Peace Court Technology</u>	<u>223 District Clerk Record Archive</u>	<u>228 JP Courthouse Security</u>	<u>225 Records Archive Fee</u>	<u>702 Texas Parks and Wildlife Fines</u>
\$ 68,004	\$ 32,582	\$ 24,024	\$ 96,837	\$ 1,379
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>68,004</u>	<u>32,582</u>	<u>24,024</u>	<u>96,837</u>	<u>1,379</u>
396	-	-	137	1,379
-	-	-	-	-
<u>396</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>1,379</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	32,582	-	96,700	-
-	-	24,024	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>67,608</u>	<u>32,582</u>	<u>24,024</u>	<u>96,700</u>	<u>-</u>
\$ <u>68,004</u>	\$ <u>32,582</u>	\$ <u>24,024</u>	\$ <u>96,837</u>	\$ <u>1,379</u>

UPSHUR COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	184	Special Revenue	
	184	308	230
	JP Bond Account	Victims' Assistance Grant	Court Initiated Guardianship
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 5,081	\$ -	\$ 25,080
Receivables (net of allowance for uncollectibles)	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from other governments	-	6,648	-
Total assets	<u>5,081</u>	<u>6,648</u>	<u>25,080</u>
LIABILITIES			
Accounts payable	5,081	1,509	-
Due to other funds	-	6,034	-
Total liabilities	<u>5,081</u>	<u>7,543</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Prepaid items	-	-	-
Restricted for:			
Child protection	-	-	25,080
County and district clerk services	-	-	-
Court security and technology	-	-	-
District Attorney	-	-	-
Drug enforcement	-	-	-
Elections	-	-	-
Federal and state grants	-	-	-
Forfeiture	-	-	-
Judicial education	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Other	-	-	-
Unassigned	-	(895)	-
	<u>-</u>	<u>(895)</u>	<u>25,080</u>
 Total liabilities, deferred inflows, and fund balances	 <u>\$ 5,081</u>	 <u>\$ 6,648</u>	 <u>\$ 25,080</u>

Special Revenue					
270	251	240	320	400/401	
Asset Forfeiture DEA	Pretrial Intervention Program	Tax Office VIT Interest Fund	Pritchett Water Supply Grant	Debt Service	Total Governmental Funds
\$ 1,253	\$ 23,627	\$ 299	\$ -	\$ 24,269	\$ 1,366,657
-	-	-	-	82,246	82,440
-	-	-	-	-	172
-	-	-	-	3,305	3,305
-	-	-	-	-	15,311
<u>1,253</u>	<u>23,627</u>	<u>299</u>	<u>-</u>	<u>109,820</u>	<u>1,467,885</u>
-	112	2	-	-	11,693
-	-	-	-	-	26,792
-	<u>112</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>38,485</u>
-	-	-	-	81,575	81,575
-	-	-	-	81,575	81,575
-	-	-	-	-	172
-	-	-	-	-	25,866
-	-	-	-	-	490,528
-	-	-	-	-	140,777
-	23,515	-	-	-	27,195
-	-	-	-	-	2,817
-	-	-	-	-	64,084
-	-	-	-	-	53,152
1,253	-	-	-	-	1,253
-	-	-	-	-	4,598
-	-	-	-	-	490,745
-	-	-	-	28,245	28,245
-	-	297	-	-	26,305
-	-	-	-	-	(7,912)
<u>1,253</u>	<u>23,515</u>	<u>297</u>	<u>-</u>	<u>28,245</u>	<u>1,347,825</u>
\$ <u>1,253</u>	\$ <u>23,627</u>	\$ <u>299</u>	\$ <u>-</u>	\$ <u>109,820</u>	\$ <u>1,467,885</u>

UPSHUR COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	104	Special Revenue 271	222
	CETRZ	Sheriff's Special	District Clerk Records
REVENUES			
Taxes	\$ 8,819	\$ -	\$ -
Intergovernmental	-	485,345	-
Charges for services	-	-	4,126
Fines and forfeitures	-	-	-
Interest	-	1,508	-
Miscellaneous	-	-	-
Total revenues	<u>8,819</u>	<u>486,853</u>	<u>4,126</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	24,594	-
Legal	-	-	2,752
Total expenditures	<u>-</u>	<u>24,594</u>	<u>2,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,819</u>	<u>462,259</u>	<u>1,374</u>
NET CHANGE IN FUND BALANCES	8,819	462,259	1,374
FUND BALANCES, BEGINNING	<u>12,141</u>	<u>28,163</u>	<u>14,755</u>
FUND BALANCES, ENDING	<u>\$ 20,960</u>	<u>\$ 490,422</u>	<u>\$ 16,129</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	91,572	10,799	20,429	-	7,530
-	-	-	-	-	-
19	-	-	160	-	-
-	-	-	-	-	-
<u>19</u>	<u>91,572</u>	<u>10,799</u>	<u>20,589</u>	<u>-</u>	<u>7,530</u>
-	28,875	-	-	-	-
-	-	-	-	-	-
<u>3,866</u>	<u>-</u>	<u>-</u>	<u>19,251</u>	<u>-</u>	<u>-</u>
<u>3,866</u>	<u>28,875</u>	<u>-</u>	<u>19,251</u>	<u>-</u>	<u>-</u>
(3,847)	<u>62,697</u>	<u>10,799</u>	<u>1,338</u>	<u>-</u>	<u>7,530</u>
(3,847)	62,697	10,799	1,338	-	7,530
<u>7,340</u>	<u>104,775</u>	<u>88,650</u>	<u>40,483</u>	<u>1,104</u>	<u>70,666</u>
<u>\$ 3,493</u>	<u>\$ 167,472</u>	<u>\$ 99,449</u>	<u>\$ 41,821</u>	<u>\$ 1,104</u>	<u>\$ 78,196</u>

UPSHUR COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue		
	300	274	221
	Family Violence Intervention Program	Project Lifesaver	County and District Technology
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	52,107	-	-
Charges for services	-	-	1,002
Fines and forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	28,057	-	-
Total revenues	<u>80,164</u>	<u>-</u>	<u>1,002</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Legal	80,860	-	-
Total expenditures	<u>80,860</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(696)	-	1,002
NET CHANGE IN FUND BALANCES	(696)	-	1,002
FUND BALANCES, BEGINNING	(96)	5,048	6,322
FUND BALANCES, ENDING	<u>\$(792)</u>	<u>\$ 5,048</u>	<u>\$ 7,324</u>

Special Revenue

202	255	272	229	203	275
Law Library	D.A. Art 53.08 Fees	Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	8,322	-	-	-
26,417	-	-	755	-	-
-	-	-	-	3,090	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,417</u>	<u>-</u>	<u>8,322</u>	<u>755</u>	<u>3,090</u>	<u>-</u>
-	-	-	345	-	-
-	-	16,231	-	4,000	-
<u>23,081</u>	<u>247</u>	<u>547</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,081</u>	<u>247</u>	<u>16,778</u>	<u>345</u>	<u>4,000</u>	<u>-</u>
<u>3,336</u>	<u>(247)</u>	<u>(8,456)</u>	<u>410</u>	<u>(910)</u>	<u>-</u>
3,336	(247)	(8,456)	410	(910)	-
<u>(9,561)</u>	<u>434</u>	<u>40,985</u>	<u>4,188</u>	<u>1,696</u>	<u>323</u>
<u>\$ (6,225)</u>	<u>\$ 187</u>	<u>\$ 32,529</u>	<u>\$ 4,598</u>	<u>\$ 786</u>	<u>\$ 323</u>

UPSHUR COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue		
	226	303	290
	Election Refund	FEMA	Drug Interdiction
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	15,542	-	-
Fines and forfeitures	-	-	-
Interest	-	-	11
Miscellaneous	-	-	-
Total revenues	15,542	-	11
EXPENDITURES			
General government	3,084	237	-
Public safety	-	-	-
Legal	-	-	-
Total expenditures	3,084	237	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,458	(237)	11
NET CHANGE IN FUND BALANCES	12,458	(237)	11
FUND BALANCES, BEGINNING	51,626	19,928	2,806
FUND BALANCES, ENDING	\$ 64,084	\$ 19,691	\$ 2,817

Special Revenue

227	223	228	225	702
Justice of the Peace Court Technology	District Clerk Record Archive	JP Courthouse Security	Records Archive Fee	Texas Parks and Wildlife Fines
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	7,185	2,021	90,870	-
8,136	-	-	-	-
-	119	-	-	-
-	-	-	-	-
<u>8,136</u>	<u>7,304</u>	<u>2,021</u>	<u>90,870</u>	<u>-</u>
8,412	-	1,065	78,606	-
-	-	-	-	-
-	-	-	-	-
<u>8,412</u>	<u>-</u>	<u>1,065</u>	<u>78,606</u>	<u>-</u>
(276)	7,304	956	12,264	-
(276)	7,304	956	12,264	-
<u>67,884</u>	<u>25,278</u>	<u>23,068</u>	<u>84,436</u>	<u>-</u>
<u>\$ 67,608</u>	<u>\$ 32,582</u>	<u>\$ 24,024</u>	<u>\$ 96,700</u>	<u>\$ -</u>

UPSHUR COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue		
	184	308	230
	JP Bond Account	Victims' Assistance Grant	Court Initiated Guardianship
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	51,464	-
Charges for services	-	-	3,120
Fines and forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>51,464</u>	<u>3,120</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Legal	-	52,359	-
Total expenditures	<u>-</u>	<u>52,359</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(895)</u>	<u>3,120</u>
NET CHANGE IN FUND BALANCES	-	(895)	3,120
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>21,960</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$(895)</u>	<u>\$ 25,080</u>

Special Revenue					
270	251	240	320	400/401	
Asset Forfeiture DEA	Pretrial Intervention Program	Tax Office VIT Interest Fund	Pritchett Water Supply Grant	Debt Service	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 3,097	\$ 11,916
-	-	-	228,250	-	825,488
-	13,800	-	43,877	-	339,045
-	-	-	-	-	11,226
30	-	938	-	-	2,785
-	-	-	-	-	28,057
<u>30</u>	<u>13,800</u>	<u>938</u>	<u>272,127</u>	<u>3,097</u>	<u>1,218,517</u>
-	-	641	50,389	-	171,654
12,989	-	-	-	-	57,814
-	11,287	-	-	-	194,250
<u>12,989</u>	<u>11,287</u>	<u>641</u>	<u>50,389</u>	<u>-</u>	<u>423,718</u>
(12,959)	2,513	297	221,738	3,097	794,799
(12,959)	2,513	297	221,738	3,097	794,799
<u>14,212</u>	<u>21,002</u>	<u>-</u>	<u>(221,738)</u>	<u>25,148</u>	<u>553,026</u>
<u>\$ 1,253</u>	<u>\$ 23,515</u>	<u>\$ 297</u>	<u>\$ -</u>	<u>\$ 28,245</u>	<u>\$ 1,347,825</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2018

	<u>State Fees</u>	<u>Child Safety</u>	<u>District Clerk Trust</u>	<u>District Clerk Bond</u>
ASSETS				
Cash and investments	\$ <u>98,153</u>	\$ <u>834</u>	\$ <u>236,397</u>	\$ <u>32,937</u>
Total assets	\$ <u><u>98,153</u></u>	\$ <u><u>834</u></u>	\$ <u><u>236,397</u></u>	\$ <u><u>32,937</u></u>
LIABILITIES				
Due to others	\$ <u>98,153</u>	\$ <u>834</u>	\$ <u>236,397</u>	\$ <u>32,937</u>
Total liabilities	\$ <u><u>98,153</u></u>	\$ <u><u>834</u></u>	\$ <u><u>236,397</u></u>	\$ <u><u>32,937</u></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>188,494</u>	\$ <u>14,746</u>	\$ <u>880,986</u>	\$ <u>70,840</u>	\$ <u>214,399</u>	\$ <u>6,690</u>	\$ <u>45,548</u>
\$ <u>188,494</u>	\$ <u>14,746</u>	\$ <u>880,986</u>	\$ <u>70,840</u>	\$ <u>214,399</u>	\$ <u>6,690</u>	\$ <u>45,548</u>
\$ <u>188,494</u>	\$ <u>14,746</u>	\$ <u>880,986</u>	\$ <u>70,840</u>	\$ <u>214,399</u>	\$ <u>6,690</u>	\$ <u>45,548</u>
\$ <u>188,494</u>	\$ <u>14,746</u>	\$ <u>880,986</u>	\$ <u>70,840</u>	\$ <u>214,399</u>	\$ <u>6,690</u>	\$ <u>45,548</u>

UPSHUR COUNTY, TEXAS

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

AS OF SEPTEMBER 30, 2018

	<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>
ASSETS				
Cash and investments	\$ <u>36,568</u>	\$ <u>2,603</u>	\$ <u>2,667</u>	\$ <u>94,417</u>
Total assets	\$ <u><u>36,568</u></u>	\$ <u><u>2,603</u></u>	\$ <u><u>2,667</u></u>	\$ <u><u>94,417</u></u>
LIABILITIES				
Due to others	\$ <u>36,568</u>	\$ <u>2,603</u>	\$ <u>2,667</u>	\$ <u>94,417</u>
Total liabilities	\$ <u><u>36,568</u></u>	\$ <u><u>2,603</u></u>	\$ <u><u>2,667</u></u>	\$ <u><u>94,417</u></u>

<u>Jail Inmate Trust</u>	<u>Probation Office Juvenile</u>	<u>Probation Office Adult</u>	<u>District Attorney Operating</u>	<u>District Attorney Trust</u>	<u>Totals</u>
\$ <u>34,200</u>	\$ <u>417,319</u>	\$ <u>538,262</u>	\$ <u>183</u>	\$ <u>1,276</u>	\$ <u>2,917,519</u>
\$ <u>34,200</u>	\$ <u>417,319</u>	\$ <u>538,262</u>	\$ <u>183</u>	\$ <u>1,276</u>	\$ <u>2,917,519</u>
\$ <u>34,200</u>	\$ <u>417,319</u>	\$ <u>538,262</u>	\$ <u>183</u>	\$ <u>1,276</u>	\$ <u>2,917,519</u>
\$ <u>34,200</u>	\$ <u>417,319</u>	\$ <u>538,262</u>	\$ <u>183</u>	\$ <u>1,276</u>	\$ <u>2,917,519</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

Honorable County Judge and
Members of the Commissioners Court
Upshur County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County, Texas (the "County"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 12, 2019.

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Braun & Hill, L.L.P.

Waco, Texas
August 12, 2019

UPSHUR COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Item 2017-001

Condition: 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.

Effect: Revenues may be misappropriated and the financial statements understated if all clerks have access to the same cash drawer.

Cause: Only one cash drawer is located in the District Clerk's office and all clerks must use the same cash drawer to complete transactions.

Recommendation: 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.

Management's Response: 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.

Contact Person Responsible for Corrective Action: Connie Williams, County Auditor

Current Status: This matter has been resolved.

UPSHUR COUNTY, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Item 2017-002

Condition: Justice of the Peace clerks have the ability to dismiss cases without obtaining authorization or validity prior to execution of the dismissal.

Effect: Revenues may be understated in the financial statements if cases are inappropriately dismissed.

Cause: The user rights on County software permit Clerks to inappropriately dismiss non-adjudicated cases.

Recommendation: 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.

Management's Response: 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.

**Contact Person Responsible
for Corrective Action:** Connie Williams, County Auditor

Current Status: This matter has been resolved.

UPSHUR COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Item 2017-003

<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>	Connie Williams, County Auditor
<u>Current Status:</u>	This matter has been resolved.

UPSHUR COUNTY, TEXAS

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Item 2017-004

<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>	Connie Williams, County Auditor
<u>Current Status:</u>	This matter has been resolved.

UPSHUR COUNTY, TEXAS

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Item 2017-005

Condition: Library cash is not balanced on a daily basis to the daily reports.

Effect: If an error is made or if theft occurs, it will be difficult to determine when the issue occurs and who caused such issue.

Cause: Due to the small amounts of revenue received on a daily basis, the Library has not been balancing cash on a daily basis.

Recommendation: The Library should balance cash receipts to cash reports on a daily basis.

Management's Response: 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.

Contact Person Responsible for Corrective Action: Connie Williams, County Auditor

Current Status: This matter has been resolved.

UPSHUR COUNTY, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Item 2017-006

Condition: The Librarian has the sole power to allow forgiveness of fines without County approved guidelines.

Effect: Abuse of forgiveness may occur to the detriment of the Library.

Cause: The County has not established an official Commissioner approved policy for forgiveness of fines.

Recommendation: 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.

Management's Response: The County Auditor will recommend to the Upshur County Commissioner's Court that the Court adopt a policy addressing the forgiveness of fines.

**Contact Person Responsible
for Corrective Action:** Connie Williams, County Auditor

Current Status: This matter has been resolved.

UPSHUR COUNTY, TEXAS

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Item 2017-007

Condition: Forgiven fines appear as paid fines on the daily/weekly/monthly reports.

Effect: Receipts do not match revenues reported.

Cause: 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.

Recommendation: The software should be modified to correctly identify forgiven fines versus paid fines.

Management's Response: 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.

Contact Person Responsible for Corrective Action: Connie Williams, County Auditor

Current Status: This matter has been resolved.

THIS PAGE LEFT BLANK INTENTIONALLY