TAYLOR COUNTY, TEXAS

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2015

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TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2015

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DK Davis Kinard & Co, PC
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court
Taylor 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 Taylor County, Texas, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the year ended September 30, 2015, which requires recognition of its net pension liability and a more comprehensive measure of pension expense. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information together with the schedule of changes in net pension liability and related ratios and the schedule of employer contributions on pages 3-10 and 44-50 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 Taylor County, Texas's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of Taylor County, Texas'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 Taylor County, Texas's internal control over financial reporting and compliance.

Davis Kinard & Co, PC

Certified Public Accountants

Abilene, Texas
March 29, 2016

TAYLOR COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taylor County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net position was $67.6 million at September 30, 2015. This represents a decrease of $3.8 million from September 30, 2014. Of this amount, $27.3 million (unrestricted net position) may be used to meet the County's ongoing obligations.

- During the year, the County's expenses were $1.8 million less than the $52.4 million generated in taxes and other revenues for governmental activities.

- The General Fund reported a fund balance this year of $23.6 million, all but $3,551 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Taylor County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 11) presents information on all of Taylor County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Taylor County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 12) presents information showing how the government's 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 related cash flows.

Net position- the difference between the County's assets and liabilities- is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Taylor County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about Taylor County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Taylor County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 14 and 16 of the basic financial statements section.

  The County maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, and the road and bridge fund, all of which are considered to be major funds. Individual fund data for each of the twenty-one non-major governmental funds is provided in the form of combining statements elsewhere in this report.

  The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 17-19. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Page 20. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

During fiscal year 2015, the County adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27, resulting in the County recording its proportionate share of the net pension liability of $7,219,632, deferred outflows of resources of $2,488,544 and deferred inflows of resources of $555,127. The comparative information presented for September 30, 2014 has not been restated to reflect this change. See Note 11 for further information.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net position were approximately $67.6 million at September 30, 2015. The largest portion of the County's net position (55%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position (4%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

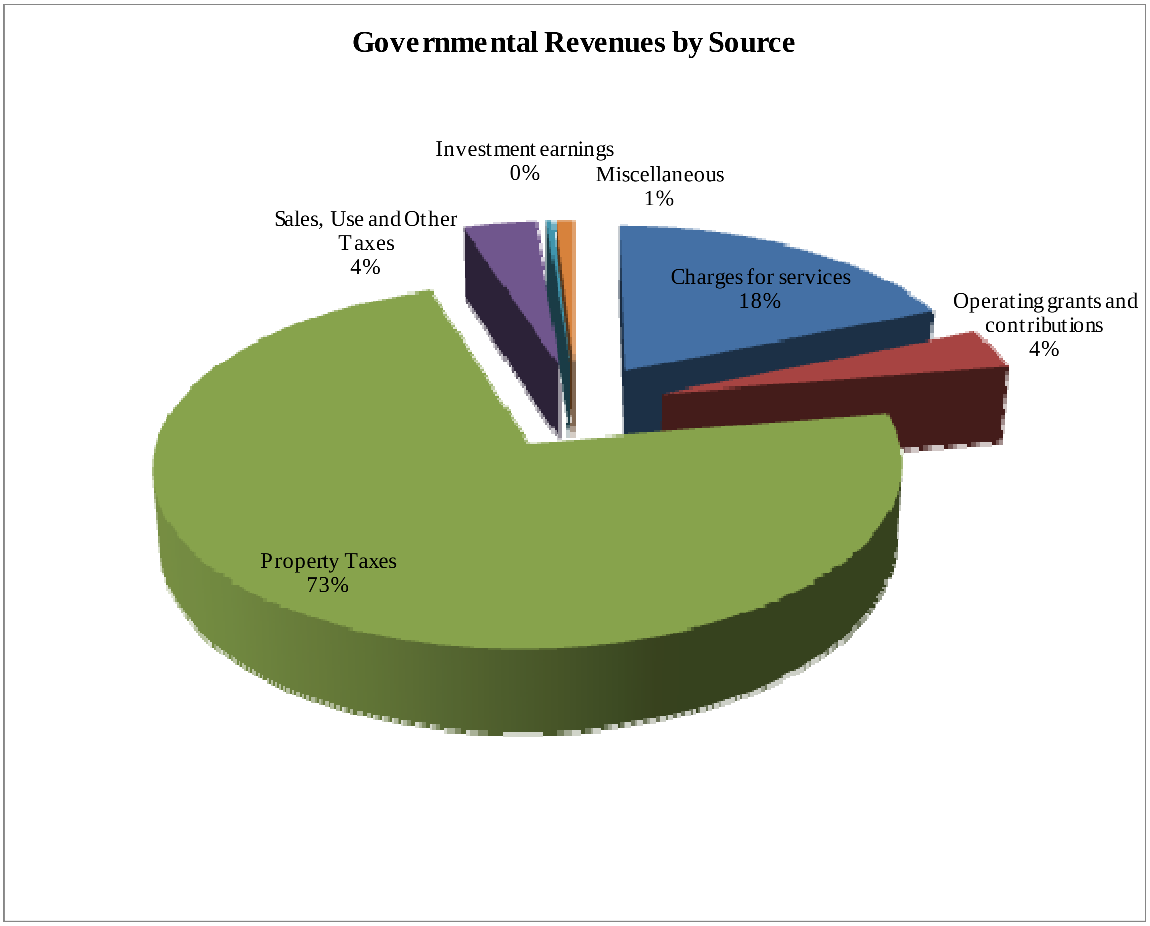
	Governmental Activities	
	September 30, 2015	September 30, 2014 (not restated)
Current and Other Assets	$ 45,057,249	$ 41,677,587
Capital Assets	38,108,502	40,436,941
Total Assets	83,165,751	82,114,528
Deferred Outflows of Resources	2,488,544	-
Current Liabilities	3,925,022	4,577,206
Long Term Liabilities	13,547,333	6,137,499
Total Liabilities	17,472,355	10,714,705
Deferred Inflows of Resources	555,127	-
Net Position		
Net Investment in Capital Assets	37,491,073	39,224,486
Restricted	2,878,708	2,933,498
Unrestricted	27,257,032	29,241,839
Total Net Position	$ 67,626,813	$ 71,399,823

Changes in Net Position—Taylor County's net position increased by approximately $1.8 million during the current fiscal year.

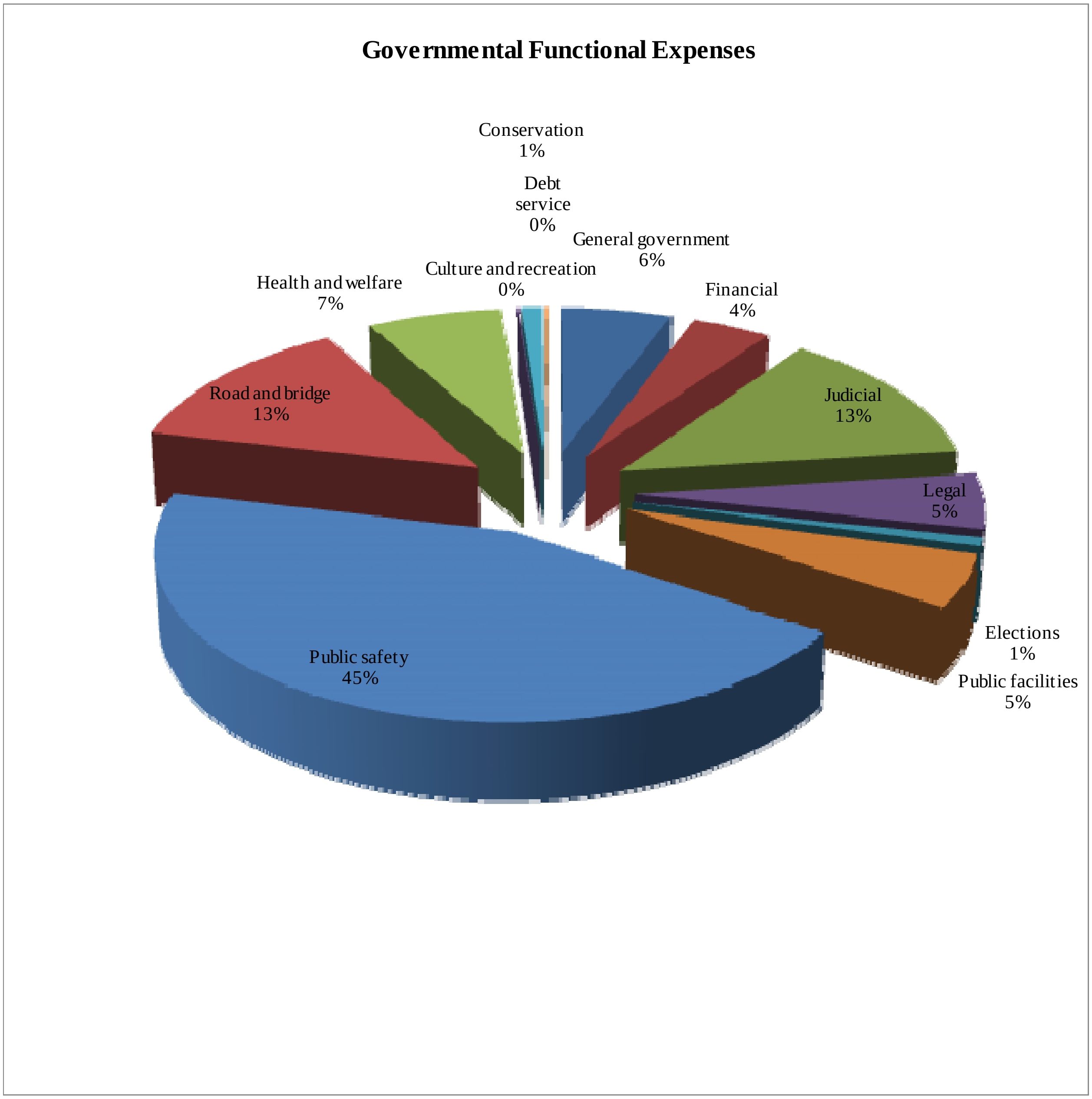
	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (not restated)
Revenues:		
Program Revenues:		
Charges for Services	$ 9,379,840	$ 8,143,588
Operating Grants and Contributions	1,859,613	1,897,653
General Revenues:		
Property Taxes	36,569,563	34,252,793
Sales and Use and Other Taxes	1,897,650	1,631,274
Investment Earnings	149,815	124,036
Miscellaneous Revenue	447,595	333,255
Settlement Proceeds	2,055,945	
Gain on Sale of Assets	9,422	17,313
Total Revenues	52,369,443	46,399,912
Expenses:		
General Government	2,893,488	3,193,487
Financial Administration	2,060,600	2,050,141
Judicial	6,676,529	6,571,319
Legal	2,714,176	2,751,488
Elections	424,985	451,133
Public Facilities	2,519,517	2,360,855
Public Safety	22,497,119	22,603,192
Road and Bridge	6,717,861	7,012,333
Health and Welfare	3,502,950	2,917,588
Conservation	546,990	540,318
Culture and Recreation	26,109	23,679
Interest on Long-Term Debt	37,990	61,418
Total Expenses	50,618,314	50,536,951
Change in Net Position	1,751,129	(4,137,039)
Beginning Net Position, as restated	65,875,684	75,536,862
Ending Net Position	$ 67,626,813	$ 71,399,823

Governmental Activities—Total revenues for the fiscal year ending September 30, 2015 were $52.4 million. Approximately 73% of the County's revenue comes from taxes, with over 70% from property taxes alone. Property tax revenue increased 7% due to an increase in the tax base.

Expenditures increased by $81,363 from the prior year, due to the net effect of increases in health and welfare, public facilities and judicial offset by decreases in general government, public safety and road and bridge.


Governmental Revenues by Source
Investment earnings
0%
Miscellaneous
1%
Sales, Use and Other
Taxes
4%
Charges for services
18%
Operating grants and
contributions
4%
Property Taxes
73%

The total cost for all programs and services totaled $50.6 million for the year ended September 30, 2015. Of this amount, the largest operating services areas were public safety which totaled $22.5 million or 45% of total expenses for the year, and road and bridge services which totaled $6.7 million, or 13% of total expenses for the year. In the prior year, these two operating areas comprised 59% of total expenses. Costs related to general government (6%) continued to absorb a significant percentage of the County's total expenses for the current year.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Taylor County's governmental funds reported a combined fund balance of $35.3 million, an increase of $1,827,926 or 5.5% in comparison with the prior year. Approximately 67% of this total amount ($23.6 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned, to indicate that it is not available for new spending because it has already been restricted or assigned to: 1) special purposes by virtue of special revenue funds ($11.4 million), 2) retirement of bonded indebtedness ($299 thousand), and 3) authorized construction ($13 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was $23.6 million. Approximately $23.6 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 58% of total General Fund expenditures.

Taylor County's General Fund balance increased by $222 thousand during the current fiscal year.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were $2.9 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were $575 thousand less than the final budgeted amount. The revenue decreases were primarily from decreased transfers into the general fund from other county funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2015, the County had invested $38.1 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of $2.3 million, or 5.8% over last year.

Major events affecting capital assets during the year were:

- Various equipment and building improvement acquisitions.

More detailed information about the County's capital assets can be found in Note 5 on Page 30 of this report.

	Governmental Activities 2015	Governmental Activities 2014	Percent Change
Land	$ 1,975,105	$ 1,975,105	0.00%
Buildings and Improvements	71,330,521	70,154,411	1.68%
Furniture and Equipment	5,582,399	4,536,613	23.05%
Vehicles and Heavy Equipment	10,993,773	10,080,516	9.06%
Infrastructure	70,512,665	70,512,665	0.00%
Total	160,394,463	157,259,310	1.99%
Total Accumulated Depreciation	(122,285,961)	(116,822,369)	4.68%
Net Capital Assets	$ 38,108,502	$ 40,436,941	-5.76%

Long-Term Debt — At the end of the year, the County had $14.2 million of long-term obligations. $630 thousand represents bonds secured solely by specified revenue sources.

	Governmental Activities 2015	Governmental Activities 2014	Percent Change
Bonds Payable	$ 630,000	$ 1,225,000	-49%
Compensated Absences	1,008,733	1,158,000	-13%
Net OPEB Obligation	5,318,968	4,349,499	22%
Net Pension Liability	7,219,632	7,272,639	100%
Total	$ 14,177,333	$ 14,005,138	1%

During the year, Taylor County's long-term obligations increased by $172 thousand. The County's Series 2005 Advanced General Obligation Refunding Bonds presently carry "Aa2" ratings from Moody's and "AA+" ratings by Standard & Poors.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is $1.6 billion, which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long-term liabilities can be found in Note 7 on Pages 31-32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The net taxable appraised value used for the 2016 budget preparation is estimated to be up $232 million, or 3.6% from 2015. Total values for Taylor County, without adjustments, were up 5.5%.
- The combined tax rate established for 2016 is $.5269, an increase of $.0222 from 2015.
- Taylor County's unemployment rate is currently 3.3%, compared to 3.6% in 2014. The State unemployment rate in December 2015 was 4.6%.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2016 fiscal year.

Amounts available for appropriation in the General Fund budget are $44,141,014, an increase of 4% over the 2015 budget of $42,389,845. Property taxes and fees for services (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 6% to $44,141,044. The largest increments are increases in the function of law enforcement and corrections of 5.1%. The County has added no major new programs or initiatives to the 2016 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Taylor County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79602.

GOVERNMENT WIDE FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Net Position
September 30, 2015

Exhibit A-1

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 32,129,202
Investments	7,475,786
Receivables (net of allowance for uncollectibles)	
Taxes	378,358
Other	5,056,134
Due from agency funds	13,838
Prepaid expenses	3,447
Inventories	484
Capital Assets	
Land	1,975,105
Infrastructure, net	7,605,188
Buildings and improvements, net	23,373,527
Vehicles and heavy equipment, net	2,650,281
Furniture and equipment, net	2,504,401
Total assets	83,165,751
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	2,488,544
LIABILITIES:	
Accounts payable and other current liabilities	1,726,750
Payroll liabilities	1,292,323
Accrued interest payable	3,220
Due to other governments	272,729
Noncurrent liabilities	
Due within one year	630,000
Due in more than one year	13,547,333
Total liabilities	17,472,355
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	555,127
NET POSITION:	
Net investment in capital assets	37,491,073
Restricted for	
Debt service	299,294
Technology	173,975
Security	209,988
Enabling legislation	1,420,070
Law enforcement	775,381
Unrestricted	27,257,032
Total net position	$ 67,626,813

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2015

		Program Revenues	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	$ 2,893,488	$ 2,277,870	$ 553,263
Financial	2,060,600	563,740	
Judicial	6,676,529	2,007,045	
Legal	2,714,176	196,287	112,171
Elections	424,985	64,750	
Public facilities	2,519,517	140,177	
Public safety	22,497,119	2,199,905	1,086,572
Road and bridge	6,717,861	1,815,329	87,387
Health and welfare	3,502,950	71,937	20,220
Conservation	546,990	42,800	
Culture and recreation	26,109		
Interest and fees on long-term debt	37,990		
Total governmental activities	50,618,314	9,379,840	1,859,613
TOTAL PRIMARY GOVERNMENT	$ 50,618,314	$ 9,379,840	$ 1,859,613

General Revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for debt purposes
- Other taxes
- Penalties and interest
- Miscellaneous revenues
- Investment earnings
- Settlement proceeds
- Gain on sale of assets
  - Total general revenues

Change in net position

Net position at beginning of year

Prior period adjustment

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
Governmental Activities	Total
$ (62,355)	$ (62,355)
(1,496,860)	(1,496,860)
(4,669,484)	(4,669,484)
(2,405,718)	(2,405,718)
(360,235)	(360,235)
(2,379,340)	(2,379,340)
(19,210,642)	(19,210,642)
(4,815,145)	(4,815,145)
(3,410,793)	(3,410,793)
(504,190)	(504,190)
(26,109)	(26,109)
(37,990)	(37,990)
(39,378,861)	(39,378,861)
(39,378,861)	(39,378,861)
36,025,077	36,025,077
544,486	544,486
1,897,650	1,897,650
256,641	256,641
190,954	190,954
149,815	149,815
2,055,945	2,055,945
9,422	9,422
41,129,990	41,129,990
1,751,129	1,751,129
71,399,823	71,399,823
(5,524,139)	(5,524,139)
$ 67,626,813	$ 67,626,813

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	$ 17,550,989	$ 3,081,096	$ 1,072,180
Investments	7,475,786		
Receivables (net of allowances for uncollectibles)			
Property taxes	352,874		14,101
Other	435,644		83,702
Fines and fees	4,374,198		
Interest			
Due from other funds	31,343		
Due from internal service funds	800,000		
Due from agency funds	13,838		
Inventories	484		
Prepaid items	3,067		380
Total assets	$ 31,038,223	$ 3,081,096	$ 1,170,363
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	$ 1,096,969	$ 11,939	$ 373,613
Payroll liabilities	1,292,323		
Due to other funds			44,383
Due to other governments	272,729		
Total liabilities	2,662,021	11,939	417,996
Deferred inflows of resources			
Unavailable revenue - property taxes	352,874		14,101
Unavailable revenue - fines and fees	4,374,198		
Total deferred inflows of resources	4,727,072	-	14,101
Fund balances:			
Nonspendable			
Prepaid items and inventories	3,551		380
Restricted for			
Debt service			
Capital projects			
Technology			
Security			
Enabling legislation			
Law enforcement			
Assigned for			
Road and bridge			737,886
Contingencies		3,069,157	
Other purposes			
Unassigned	23,645,579		
Total fund balances	23,649,130	3,069,157	738,266
Total liabilities, deferred inflows of resources and fund balances	$ 31,038,223	$ 3,081,096	$ 1,170,363

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

Other Governmental Funds	Total Governmental Funds
$ 7,937,301	$ 29,641,566
	7,475,786
11,383	378,358
20,960	540,306
	4,374,198
1,199	1,199
165,880	197,223
	800,000
	13,838
	484
	3,447
$ 8,136,723	$ 43,426,405
$ 100,891	$ 1,583,412
	1,292,323
152,840	197,223
	272,729
253,731	3,345,687
11,383	378,358
	4,374,198
11,383	4,752,556
	3,931
299,294	299,294
12,571	12,571
173,975	173,975
209,988	209,988
1,420,070	1,420,070
775,381	775,381
	737,886
	3,069,157
5,015,615	5,015,615
(35,285)	23,610,294
7,871,609	35,328,162
$ 8,136,723	$ 43,426,405

TAYLOR COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

Exhibit A-4

Total Fund Balance-Governmental Funds			$	35,328,162
The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.				1,684,729
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.				
Governmental capital assets	$	160,394,463		
Accumulated depreciation		(122,285,961)		38,108,502
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.				
Bonds payable	$	(630,000)		
Other Postemployement Benefit Obligation		(5,318,968)		
Compensated absences		(1,008,733)		
Accrued interest payable		(3,220)		
Net pension liability		(7,219,632)		(14,180,553)
Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.				
Deferred inflow of resources	$	(555,127)		
Deferred outflow of resources		2,488,544		1,933,417
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.				
Unavailable revenue - office fees receivable	$	4,374,198		
Unavailable revenue - property taxes		378,358		4,752,556
Net Position of Governmental Activities-Statement of Net Position			$	67,626,813

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

TAYLOR COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	$ 34,964,104	$	$ 1,308,576
Other taxes	512,563		1,385,087
License and permits	592,935		1,626,850
Intergovernmental and grants	2,172,249		
Fines and fees	3,651,761		98,366
Rents and recoveries	114,804		
Investment earnings	119,289	4,755	2,087
Miscellaneous	125,003		1,251
Total revenues	42,252,708	4,755	4,422,217
EXPENDITURES			
Current			
General government	2,602,530		
Financial	2,020,286		
Judicial	6,578,525		
Legal	2,520,784		
Elections	342,403		
Public facilities	1,113,725	15,808	
Public safety	19,500,137		
Road and bridge	30		3,450,813
Health and welfare	3,403,226		
Conservation	533,960		
Culture and Recreation	26,109		
Debt Service			
Debt principal			
Debt interest and agent fees			
Capital Outlay			
Capital outlay	2,708,719	281,277	531,303
Total expenditures	41,350,434	297,085	3,982,116
Excess revenues over expenditures	902,274	(292,330)	440,101
OTHER FINANCING SOURCES (USES)			
Transfers in	926,637	1,500,000	
Transfers out	(1,607,750)		
Sale of property	1,226		26,500
Total other financing sources (uses)	(679,887)	1,500,000	26,500
NET CHANGE IN FUND BALANCE	222,387	1,207,670	466,601
FUND BALANCE AT BEGINNING OF YEAR	23,426,743	1,861,487	271,665
FUND BALANCE AT END OF YEAR	$ 23,649,130	$ 3,069,157	$ 738,266

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

Other Governmental Funds	Total Governmental Funds
$ 547,917	$ 36,820,597
	1,897,650
	2,219,785
1,113,775	3,286,024
710,529	4,460,656
	114,804
17,575	143,706
577,526	703,780
2,967,322	49,647,002
362,619	2,965,149
9,354	2,029,640
	6,578,525
161,594	2,682,378
75,577	417,980
	1,129,533
1,437,068	20,937,205
8,662	3,459,505
74,000	3,477,226
	533,960
	26,109
595,000	595,000
41,031	41,031
131,999	3,653,298
2,896,904	48,526,539
70,418	1,120,463
77,277	2,503,914
(219,527)	(1,827,277)
3,100	30,826
(139,150)	707,463
(68,732)	1,827,926
7,940,341	33,500,236
$ 7,871,609	$ 35,328,162

TAYLOR COUNTY, TEXAS

Exhibit A-6

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2015

Net Change in Fund Balances -Total Governmental Funds			$ 1,827,926
The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net position of these internal service funds are reported with governmental funds. The net effect of this consolidation is to decrease net position.			1,584,913
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.			
	Capital outlay	$ 3,438,826	
	Debt principal payments	595,000	4,033,826
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.			(5,745,861)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense must be recognized.			
	Contributions made after measurement date	$ 1,584,114	
	Pension expense	(1,346,190)	237,924
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.			
	Increase in office fines and fees receivable	$ 645,359	
	Increase in unavailable tax revenues	5,607	
	Decrease in bond interest payable	3,041	
	Increase in Other Postemployement Benefit Obligation	(969,469)	
	Net book value of assets retired	(21,404)	
	Decrease in compensated absences	149,267	(187,599)
Change in Net Position of Governmental Activities-Statement of Activities			$ 1,751,129

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2015

Exhibit A-7

		Governmental Activities
		Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	$	2,487,636
Accounts receivable		140,431
Total current assets	$	2,628,067
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$	143,338
Due to other funds		800,000
Total current liabilities		943,338
Net position		
Unrestricted		1,684,729
Total net position		1,684,729
TOTAL LIABILITIES AND NET POSITION	$	2,628,067

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

TAYLOR COUNTY, TEXAS
Statement of Revenues,
Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2015

Exhibit A-8

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges for services	$ 5,608,986
Total operating revenues	5,608,986
OPERATING EXPENSES	
Contract services	1,122,640
Claims	4,286,850
Total operating expenses	5,409,490
OPERATING INCOME	199,496
NONOPERATING REVENUES	
Investment earnings	6,109
Settlement proceeds	2,055,945
Total nonoperating revenues (expenses)	2,062,054
Income before transfers	2,261,550
TRANSFERS	
Transfers in	250,000
Transfers out	(926,637)
Net transfers	(676,637)
CHANGE IN NET POSITION	1,584,913
NET POSITION AT BEGINNING OF YEAR	99,816
NET POSITION AT END OF YEAR	$ 1,684,729

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

TAYLOR COUNTY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

Exhibit A-9

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Other operating receipts	$ (37,611)
Cash received from interfund services provided	5,558,095
Cash payments for claims	(4,270,905)
Cash payments for insurance premiums	(1,122,640)
Net cash provided by operating activities	126,939
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	(1,276,637)
Settlement proceeds	2,055,945
Net cash provided by non-capital financing activities	779,308
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	6,109
Net cash provided by investing activities	6,109
NET CHANGE IN CASH AND CASH EQUIVALENTS	912,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,575,280
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,487,636
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 199,496
Net change in:	
Accounts receivable	(88,502)
Claims payable	15,945
Total adjustments	(72,557)
Net cash provided by operating activities	$ 126,939

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

FIDUCIARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2015

Exhibit A-10

		Agency Funds
ASSETS:		
Cash and cash equivalents	$	5,285,240
Due from other funds		13,875
Accounts receivable		18,390
TOTAL ASSETS	$	5,317,505
LIABILITIES:		
Accounts payable	$	239,473
Due to other funds		27,713
Due to others		5,050,319
TOTAL LIABILITIES	$	5,317,505

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Taylor County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units.*

The Commissioners' Court has governance responsibilities over all activities related to Taylor County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Taylor County nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

NOTE 1: Summary of Significant Accounting Policies, continued

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as unearned revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as unearned revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

NOTE 1: Summary of Significant Accounting Policies, continued

D. Fund Accounting

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Contingency Fund – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Additionally, the County reports the following non-major fund types:

Governmental Funds:

Non-Major Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Capital Projects Funds – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds:

Internal Service Funds – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

E. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Equity

- Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

NOTE 1: Summary of Significant Accounting Policies, continued

- Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Central Appraisal District (the Appraisal District) of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Central Appraisal District of Taylor County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the Appraisal District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

- Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

NOTE 1: Summary of Significant Accounting Policies, continued

- Inventories and Prepaid Items, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by nonspendable fund balance which indicates they do not represent "available spendable resources."

- Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of $5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

- Receivables and Payables Balances

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been meet.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue.

- Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

NOTE 1: Summary of Significant Accounting Policies, continued

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

- Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will 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 deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

NOTE 3: Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

At September 30, 2015, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	Value	Maturity	Quality Rating
General Fund			
TexPool	$ 1,078	< 60 days - Weighted Avg.	AAAm
Total Cash in First Financial Bank	32,139,940		
Municipal bond	1,000,780	15 months	A
U.S. Government Backed Securities	2,000,000	1 - 5 years	
Certificates of deposit	4,463,190	1 - 5 years	
	$ 39,604,988		

NOTE 3: Deposits and Investments, continued

A. Investments, continued

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

The Public Funds Investment Act (the 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, (9) and 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, (10) and 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.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

B. Investment Accounting Policy

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2015 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3: Deposits and Investments, continued

B. Investment Accounting Policy, continued

Concentration of Credit Risk – Diversification by investment type shall be established by the following maximum percentages of investment types to the total County investment portfolio at the time of each investment transaction:

a.)	U.S. Treasury Bills/Notes/Bonds	100%
b.)	U.S. Agencies and Instrumentalities	85%
c.)	States, Counties, Cities, and Other	50%
d.)	Certificates of Deposit	100%
e.)	Money Market Mutual Funds	80%
f.)	Eligible Investment Pools	100%

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. The maximum maturity for all construction or capital improvement funds shall not be more than five years. County funds that are considered "bond proceeds" for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. TexPool is rated AAAm by Standard & Poor's. It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

NOTE 4: Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Interest Receivable	Property Taxes	Other Receivables	Fines and Fees	Total Receivables
Governmental Funds					
General Fund	$	$ 352,874	$ 435,644	$ 4,374,198	$ 5,162,716
Road and Bridge Fund		14,101	83,702		97,803
Non-major Governmental Funds	1,199	11,383	20,960		33,542
Total-Governmental Funds	$ 1,199	$ 378,358	$ 540,306	$ 4,374,198	$ 5,294,061
Amounts not scheduled for collection during the subsequent year	$ -	$ (378,358)	$ -	$ (4,374,198)	$ (4,752,556)
Internal Service Funds	$	$	$ 140,431	$	$ 140,431
Total-Internal Service Funds	$ -	$ -	$ 140,431	$ -	$ 140,431

NOTE 5: Capital Assets

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

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Governmental Activities				
Non-depreciable Assets				
Land	$ 1,975,105	$	$	$ 1,975,105
Total Non-depreciable Assets	1,975,105			1,975,105
Depreciable Assets				
Buildings and Improvements	70,154,411	1,176,110		71,330,521
Furniture and Equipment	4,536,613	1,045,786		5,582,399
Vehicles and Heavy Equipment	10,080,516	1,216,930	303,673	10,993,773
Infrastructure	70,512,665			70,512,665
Total Depreciable Assets	155,284,205	3,438,826	303,673	158,419,358
Total at Historic Cost	157,259,310	3,438,826	303,673	160,394,463
Less Accumulated Depreciation:				
Buildings and Improvements	46,096,921	1,860,073		47,956,994
Furniture and Equipment	2,747,512	330,486		3,077,998
Vehicles and Heavy Equipment	7,742,682	883,079	282,269	8,343,492
Infrastructure	60,235,254	2,672,223		62,907,477
Total Accumulated Depreciation	116,822,369	5,745,861	282,269	122,285,961
Governmental Activities Capital Assets, Net	$ 40,436,941	$ (2,307,035)	$ 21,404	$ 38,108,502

Depreciation was charged to functions as follows:

General Administration	$ 26,255
Financial	4,685
Judicial	34,163
Elections	3,443
Public Safety	1,214,585
Public Facilities	1,270,237
Road and Bridge	3,187,320
Health and Welfare	4,296
Conservation	877
	$ 5,745,861

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

Due to General Fund from:		
Nonmajor Special Revenue Funds	$	31,343
Due to Nonmajor Special Revenue Funds from		
Road and bridge fund		44,383
Nonmajor Special Revenue Funds		121,497
Due from Other Funds	$	197,223

Due to and due from other funds are interfund receivables and payables that reflect either short term borrowing or payroll clearing accounts between funds.

B. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015, consisted of the following:

Transfers from General Fund to:		
Internal Service Funds	$	107,750
Contingency Fund		1,500,000
	$	1,607,750
Transfers from Nonmajor Special Revenue Funds to:		
Nonmajor Special Revenue Funds	$	77,277
Internal Service Funds		142,250
	$	219,527
Transfers from Internal Service Fund to:		
General Fund	$	926,637

Transfers from the general fund provide additional funding for special projects or major repairs within the contingency fund and support for internal service functions.

NOTE 7: Long-Term Obligations

The County's long-term debt consists of general obligation refunding bonds. Other long-term debt consists of the accrued liability for employee vested compensated absences and the net OPEB obligation.

A. Bonds

On May 24, 2005, the County issued $5,895,000 in Advanced General Obligation Refunding Bonds, Series 2005, to refund $5,725,000 of the Series 1996 and Series 1999 bond issues. Interest is due semi-annually at rates ranging from 3% to 4%. The bonds mature serially through 2016.

NOTE 7: Long-Term Obligations, continued

The following table summarizes the annual debt service requirements of the outstanding bond issues at September 30, 2015, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2016	$ 630,000	$ 12,600	$ 642,600
Total	$ 630,000	$ 12,600	$ 642,600

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund.

Taylor County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Taylor County, Texas.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Loans and Leases Payable					
General Obligation Bonds	$ 1,225,000	$	$ 595,000	$ 630,000	$ 630,000
Other Liabilities					
Compensated Absences	1,158,000		149,267	1,008,733	
Net OPEB Obligation	4,349,499	969,469		5,318,968	
Net Pension Liability	7,272,639	-	53,007	7,219,632	
Total Other Liabilities	12,780,138	969,469	202,274	13,547,333	-
Total Governmental Activities Long-term Liabilities	$ 14,005,138	$ 969,469	$ 797,274	$ 14,177,333	$ 630,000

NOTE 8: Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide financial statements. At September 30, 2015, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to $1,008,733.

NOTE 9: Deferred Outflows and Inflows of Resources

Deferred inflows of resources in the government funds balance sheet at September 30, 2015 consisted of the following:

	General Fund	Road and Bridge Fund	Debt Service Fund	Total
Net Tax Revenue	$ 352,874	$ 14,101	$ 11,383	$ 378,358
Net Fines and Fees	4,374,198			4,374,198
Total	$ 4,727,072	$ 14,101	$ 11,383	$ 4,752,556

Adjustments required for government-wide Statement of Net Position decreased unavailable revenue by $4,752,556.

NOTE 9: Deferred Outflows and Inflows of Resources, continued

Deferred outflows and inflows of resources in the government-wide Statement of Net Position at September 30, 2015 consisted of the following:

Deferred Outflows - Pension	$	2,488,544
Total		2,488,544
Deferred Inflows - Pension	$	555,127
Total		555,127

NOTE 10: Risk Management

The County has established a Self-Insurance Fund and an Employee Benefits Fund to separately report the activities of the County's general law enforcement professional liability, health, life and property insurance and worker's compensation plans.

General Liability

The County's liability insurance is a self-insured plan. The County informally budgets for current claims based on historical data. The County incurred $94,178, $28,713, and $60,408, for liability claims during the years ended September 30, 2015, 2014, and 2013, respectively. There were no unpaid claims at September 30, 2015.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the County reimburses the insurance company for the amount of each claim paid. The insurance company charges the County a fee for each claim processed.

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative expenses. The County paid $4,270,905, $4,321,118, and $4,117,111, in health claims, and paid $812,366, $782,921, and $771,316, for administrative costs, for the years ended September 30, 2015, 2014, and 2013, respectively. The County contributed $3,720,371, $3,822,536, and $3,535,397 and County employees contributed $776,706, $672,804, and $670,835 to the health insurance program for the years ended September 30, 2015, 2014, and 2013, respectively. Retirees and other agency contributions were $311,909, $299,834, and $250,128, for the years ended September 30, 2015, 2014, and 2013, respectively. Previous years' funds were utilized in funding the health insurance program.

Estimated health claims that have been incurred but not reported are accrued at year-end. The estimated liability for health claims was $143,338, $127,393, and $181,143, at September 30, 2015, 2014, and 2013, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2015, 2014, and 2013.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2013	$ 209,560	$ 4,117,111	$ 4,145,528	$ 181,143
2014	181,143	4,321,118	4,374,868	127,393
2015	127,393	4,286,850	4,270,905	143,338

NOTE 10: Risk Management, continued

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. TAC reviews and processes all worker's compensation claims. The County informally budgets for current claims based on actuarial valuations and historical data. The County incurred $144,042, $121,272, and $252,493, in worker's compensation claims for the years ended September 30, 2015, 2014, and 2013. Estimated liabilities for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was $7,719, $25,377, and $14,764, at September 30, 2015, 2014, and 2013, respectively.

Summary

The Self-Insurance Fund has net position available for the purpose of funding all self-insurance programs, other than health, in the amount of $2,264,408 at September 30, 2015. In the opinion of management, net position is adequate to meet probable claim contingencies at September 30, 2015. The Employee Benefits Fund has a net position of ($579,679).

NOTE 11: Retirement Plan

Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or 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 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

NOTE 11: Retirement Plan - continued

Membership. Membership in the TCDRS plan at December 31, 2014 consisted of the following:

Annuitants	266
Terminated Employees' Accounts:	
Vested	25
Nonvested	62
Total	87
Current Employees' Accounts:	
Vested	154
Nonvested	454
Total	608

Contributions. The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Contribution Rates

	2014	2015
Member	7.0%	7.0%
Employers	10.07%	10.15%
Employer Contributions		$ 2,288,264
Member Contributions		$ 1,591,328

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.10%
Salary Increases*	4.50%, average
Payroll Growth Rate	1.50%

**Includes Inflation of 3%*

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012. The assumptions and methods are the same as used in the prior valuation.

NOTE 11: Retirement Plan - continued

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7 – 10 year time horizon.

NOTE 11: Retirement Plan - continued

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 – December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

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	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	(0.20)%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

[1] Target asset allocation adopted at the April 2015 TCDRS Board meeting.
[2] Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.
[3] Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.
[4] Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

NOTE 11: Retirement Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the County reported a net pension asset of $7,219,632 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension liability for the year ended December 31, 2014 are as follows:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2013	$ 95,067,188	$ 87,794,549	$ 7,272,639
Changes for the year:			
Service cost	2,529,603	-	2,529,603
Interest on total pension liability-(1)	7,629,311	-	7,629,311
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(693,909)	-	(693,909)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(351,889)	(351,889)	-
Benefit payments	(3,968,919)	(3,968,919)	-
Administrative expenses	-	(69,597)	69,597
Member contributions	-	1,591,328	(1,591,328)
Net investment income	-	6,017,830	(6,017,830)
Employer contributions	-	2,288,264	(2,288,264)
Other-(2)	-	(309,813)	309,813
Balances as of December 31, 2014	$ 100,211,385	$ 92,991,753	$ 7,219,632

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

[2] Relates to the allocation of system-wide items.

For the year ended September 30, 2015, the County recognized pension expense of $1,885,954.

NOTE 11: Retirement Plan - continued

Discount Rate Sensitivity Analysis. The following presents the net pension liability / (asset) of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	$ 112,552,231	$ 100,211,385	$ 90,000,859
Fiduciary net position	92,991,753	92,991,753	92,991,753
Net pension liability / (asset)	$ 19,560,478	$ 7,219,632	$ (2,990,894)

At December 31, 2014 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 555,127	$ -
Changes in actuarial assumptions	-	-
Net difference between projected and actual investment earnings	-	904,430
Contributions paid to TCDRS subsequent to the measurement date	-	1,584,114
Total	$ 555,127	$ 2,488,544

$1,584,114 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30:	
2016	$ 87,326
2017	87,326
2018	87,326
2019	87,325
Total	$ 349,303

NOTE 12: Fund Balance

The County classifies governmental fund balance in the following categories:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2015, the County had $3,931 in nonspendable fund balance for prepaid items.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled $299,294 as of September 30, 2015. Fund balance restricted for capital projects totaled $12,571 as of September 30, 2015. Special revenue fund balance restricted for specific programs included technology, security, enabling legislation, and law enforcement and totaled $173,975, $209,988, $1,420,070, and $775,381, respectively, as of September 30, 2015.

Committed fund balance is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2015, the County had no committed fund balance.

Assigned fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2015, the County had $737,886 in fund balance assigned for road and bridge, $3,069,157 assigned for contingencies and $5,015,615 for other purposes.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Debt service funds: Restricted fund balances of approximately 25-50% of the following year's debt service requirements, to be used for debt service.

NOTE 13: Postemployment Healthcare Benefits

Plan Description
The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Permanent full-time employees who retire under TCDRS eligibility rules are eligible to participate in the County's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service or when the retirees age plus years of service equals 75. Spouses and dependents of retirees are also eligible. As of the date of the latest actuarial valuation, the County has 513 active employees and 39 retirees participating in the plan.

When a regular, full-time employee retires and is currently enrolled in the health care plan, they are eligible to continue to participate in the County's group health insurance and prescription plans. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

NOTE 13: Postemployment Healthcare Benefits, continued

Retirees may purchase retiree health care coverage for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired members may continue retiree health care coverage up to age 65 for spouses and to age 25 for dependents. Spouse and/or dependent must be on the plan prior to retirement of the employee. Retirees are required to enroll in Medicare Parts A and B once eligible.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the fiscal year ending September 30, 2015 is as follows:

Annual Required Contribution (ARC)	$ 1,257,793
Interest on OPEB Obligation	195,727
Adjustment to the ARC	(181,339)
Annual OPEB Cost	1,272,181
Net Estimated Employer Contributions	(302,712)
Increase (Decrease) in Net OPEB Obligation	969,469
Net OPEB Obligation, Beginning of the Year	4,349,499
Net OPEB Obligation, End of the Year	$ 5,318,968

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization) are as follows:

Fiscal Year Ended	Net Employer Contributions	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Required Contribution	Percentage of ARC Contributed
9/30/2013	$ 176,931	$ 1,142,889	$ 15.5%	$ 3,309,241	$ 1,135,137	15.6%
9/30/2014	191,847	1,232,105	15.6%	4,349,499	1,221,158	15.7%
9/30/2015	302,712	1,272,181	23.8%	5,318,968	1,257,793	24.1%

Funding Status and Funding Progress

The funded status of the County's retiree health care plan as of December 31, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	$ -	$ 11,044,586	$ 11,044,586	$ 0.0%	$ 19,271,035	57.3%
10/31/2011	$ -	$ 10,839,135	$ 10,839,135	$ 0.0%	$ 21,000,084	51.6%

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by $11,044,586 at December 31, 2013. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 57.3%.

NOTE 13: Postemployment Healthcare Benefits, continued

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Amortization Period	30 years, open period
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%, net of investment expenses
Payroll Growth Rate	3%
Projected salary increases	0.25% to 5.25%, not including wage inflation rate of 4%
General Inflation Rate	3%
Healthcare Cost Trend Rate	7.5% in 2013 decreasing by 2.6% in 11 years to an ultimate rate of 4.9%
The number of active members is assumed to remain constant in the future	

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The County selects a firm to conduct an independent actuarial valuation of its employer financed health benefits every two years as required by GASB 45. The most recent valuation was performed by the consultant and actuarial firm Gabriel Roeder Smith & Company. A copy of this report can be obtained by writing to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79602 or by calling 325-674-1252.

NOTE 14: Prior Period Adjustment

During fiscal year 2015, the County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No, 27. Upon adoption of GASB No. 68, the County must assume its proportionate share of the net pension liability of the Texas County & District Retirement System. Adoption of GASB No. 68 required a prior period adjustment to report the effect of GASB No. 68 retroactively. The amount of the prior period adjustment is $5,524,139.

NOTE 15: Upcoming Accounting Pronouncements

In June 2015, the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Early application is encouraged. The County will fully analyze the impact of this new Statement prior to the effective date for the Statement listed above.

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2015

Exhibit B-1

	Budget Amounts			
	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Taxes				
Property taxes	$ 34,315,482	$ 34,951,010	$ 34,964,104	$ 13,094
Other taxes	480,000	480,000	512,563	32,563
License and permits	577,200	577,200	592,935	15,735
Intergovernmental and grants	1,634,244	2,074,216	2,172,249	98,033
Fines and fees	3,643,475	3,530,475	3,651,761	121,286
Rents and recoveries	170,648	120,648	114,804	(5,844)
Investment earnings	80,000	120,000	119,289	(711)
Miscellaneous		294,500	125,003	(169,497)
Total revenues	40,901,049	42,148,049	42,252,708	104,659
EXPENDITURES				
Current				
General government	3,225,386	5,035,828	2,602,530	2,433,298
Financial	2,342,168	2,326,062	2,020,286	305,776
Judicial	6,356,967	6,791,201	6,578,525	212,676
Legal	2,593,450	2,569,235	2,520,784	48,451
Elections	359,037	350,536	342,403	8,133
Public facilities	2,053,884	1,901,072	1,113,725	787,347
Public safety	20,659,331	20,336,923	19,500,137	836,786
Road and bridge	3,000	3,000	30	2,970
Health and welfare	4,046,183	4,128,196	3,403,226	724,970
Conservation	565,671	572,959	533,960	38,999
Culture and recreation	184,768	236,752	26,109	210,643
Capital Outlay				
Capital outlay			2,708,719	(2,708,719)
Total expenditures	42,389,845	44,251,764	41,350,434	2,901,330
Excess revenues over expenditures	(1,488,796)	(2,103,715)	902,274	3,005,989
OTHER FINANCING SOURCES				
Transfers (out) in	1,488,796		(681,113)	(681,113)
Sale of property			1,226	1,226
Total other financing sources (uses)	1,488,796		(679,887)	(679,887)
NET CHANGE IN FUND BALANCE		(2,103,715)	222,387	2,326,102
FUND BALANCE AT BEGINNING OF YEAR	23,426,743	23,426,743	23,426,743	
FUND BALANCE AT END OF YEAR	$ 23,426,743	$ 21,323,028	$ 23,649,130	$ 2,326,102

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2015

Exhibit B-2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes				
Property taxes	$ (200,000)	$ (75,000)	$ 1,308,576	$ 1,383,576
Other taxes	1,375,000	1,375,000	1,385,087	10,087
Licenses and permits	1,205,000	1,720,000	1,626,850	(93,150)
Intergovernmental and grants	294,953	293,453		(293,453)
Fines and fees			98,366	98,366
Investment earnings	225	225	2,087	1,862
Other revenue		28,000	1,251	(26,749)
Total revenues	2,675,178	3,341,678	4,422,217	1,080,539
EXPENDITURES				
Current				
Road and bridge	4,108,858	4,858,443	3,450,813	1,407,630
Capital outlay				
Capital outlay			531,303	(531,303)
Total expenditures	4,108,858	4,858,443	3,982,116	876,327
Excess revenues over expenditures	(1,433,680)	(1,516,765)	440,101	1,956,866
OTHER FINANCING SOURCES				
Transfers in	58,680	293,756		(293,756)
Sale of property		119,595	26,500	(93,095)
Total other financing sources (uses)	58,680	413,351	26,500	(386,851)
NET CHANGE IN FUND BALANCE	(1,375,000)	(1,103,414)	466,601	1,570,015
FUND BALANCE AT BEGINNING OF YEAR	271,665	271,665	271,665	
FUND BALANCE AT END OF YEAR	$ (1,103,335)	$ (831,749)	$ 738,266	$ 1,570,015

TAYLOR COUNTY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
For Fiscal Year 2015

	Year Ended December 31, 2014
Total Pension Liability	
Service cost	$ 2,529,603
Interest on total pension liability	7,629,311
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	(693,909)
Benefit payments/refunds of contributions	(4,320,808)
Net change in total pension liability	5,144,197
Total pension liability, beginning	95,067,188
Total pension liability, ending (a)	$ 100,211,385
Fiduciary Net Position	
Employer contributions	$ 2,288,264
Member contributions	1,591,328
Investment income net of investment expenses	6,017,830
Benefit payments/refunds of contributions	(4,320,808)
Administrative expenses	(69,597)
Other	(309,813)
Net change in fiduciary net position	5,197,204
Fiduciary net position, beginning	87,794,549
Fiduciary net position, ending (b)	$ 92,991,753
Net pension liability / (asset), ending = (a) - (b)	7,219,632
Fiduciary net position as a percentage of total pension liability	92.80%
Pensionable covered payroll	$ 22,733,251
Net pension liability as a percentage of covered payroll	31.76%

TAYLOR COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2015

Exhibit B-4

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2005	Not available	Not available	Not available	Not available	Not available
2006	$ 1,490,356	$ 1,490,356	$ -	$ 17,229,554	8.6% %
2007	1,552,416	1,552,416	-	17,884,977	8.7% %
2008	1,594,723	1,594,723	-	18,586,511	8.6% %
2009	1,748,497	1,915,577	(167,080)	20,284,194	9.4% %
2010	1,872,115	1,913,488	(41,373)	20,686,358	9.2% %
2011	1,780,807	1,942,512	(161,705)	21,000,084	9.3% %
2012	1,929,162	1,993,828	(64,666)	21,554,883	9.3% %
2013	2,117,298	2,117,298	-	22,240,501	9.5% %
2014	2,288,264	2,288,264	-	22,733,251	10.1% %

TAYLOR COUNTY, TEXAS

Required Supplementary Information

Schedule of Funding Progress, Postemployment Healthcare Benefits

September 30, 2014

Exhibit B-5

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	$ -	$ 11,044,586	$ 11,044,586	0.00%	$ 19,271,035	57.3%
10/31/2011	-	10,839,135	10,839,135	0.00%	21,000,084	51.6%
10/31/2009	-	5,879,707	5,879,707	0.00%	20,284,194	29.0%

NOTE A: BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.

2. Commissioners Court holds budget sessions with each department head.

3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.

4. Commissioners Court formally adopts the budget in the open court meeting.

5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.

6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.

8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2015 budget were approved by the Commissioners Court as provided by law.

9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of $1,782,082 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

Note B: Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed

Note B: Net Pension Liability – Texas County & District Retirement System, continued

Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.5%, average, including inflation
Investment rate of return	8.10%, including inflation
Cost-of-living adjustments	Cost-of-living adjustments for the County are not considered to be substantively automatic. Therefore, no assumption for cost-of-living adjustments is included in the calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	Assumed life expectancies are based on the RP-2000 Active Employee Mortality Table for depositing members, the RP-2000 Combined Mortality Table for service retirees and the RP-2000 Disabled Mortality Table for disabled retirees.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING STATEMENTS

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2015

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 12,571	$ 7,625,436	$ 299,294	$ 7,937,301
Interest receivable		1,199		1,199
Accounts receivable-net				
Property taxes			11,383	11,383
Other		20,960		20,960
Due from other funds		165,880		165,880
Total assets	$ 12,571	$ 7,813,475	$ 310,677	$ 8,136,723
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$	$ 100,891	$	$ 100,891
Due to other funds		152,840		152,840
Total liabilities		253,731		253,731
Deferred inflows of resources				
Unavailable revenue - property taxes			11,383	11,383
Total deferred inflows of resources			11,383	11,383
Fund balances				
Restricted for				
Debt service			299,294	299,294
Capital projects	12,571			12,571
Technology		173,975		173,975
Security		209,988		209,988
Enabling legislation		1,420,070		1,420,070
Law enforcement		775,381		775,381
Assigned for				
Road and bridge				
Other purposes		5,015,615		5,015,615
Unassigned		(35,285)		(35,285)
Total fund balance	12,571	7,559,744	299,294	7,871,609
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 12,571	$ 7,813,475	$ 310,677	$ 8,136,723

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2015

Exhibit C-2

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
REVENUES				
Taxes				
Property taxes	$	$	$ 547,917	$ 547,917
Intergovernmental and grants		1,113,775		1,113,775
Fines and fees		710,529		710,529
Investment earnings	26	16,766	783	17,575
Miscellaneous		577,526		577,526
Total revenues	26	2,418,596	548,700	2,967,322
EXPENDITURES				
Current				
General government		362,619		362,619
Financial		9,354		9,354
Legal		161,594		161,594
Elections		75,577		75,577
Public safety		1,437,068		1,437,068
Road and bridge		8,662		8,662
Health and welfare		74,000		74,000
Debt Service				
Debt principal			595,000	595,000
Debt interest and agent fees			41,031	41,031
Capital outlay				
Capital outlay		131,999		131,999
Total expenditures	-	2,260,873	636,031	2,896,904
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26	157,723	(87,331)	70,418
OTHER FINANCING SOURCES (USES)				
Transfers in		77,277		77,277
Transfers out		(219,527)		(219,527)
Sale of property		3,100		3,100
Total other financing sources (uses)	-	(139,150)	-	(139,150)
NET CHANGE IN FUND BALANCES	26	18,573	(87,331)	(68,732)
FUND BALANCES AT BEGINNING OF YEAR	12,545	7,541,171	386,625	7,940,341
FUND BALANCES AT END OF YEAR	$ 12,571	$ 7,559,744	$ 299,294	$ 7,871,609

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2015

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
ASSETS				
Cash and cash equivalents	$ 2,358,646	$ 851,119	$ 1,014,589	$ 254,567
Interest receivable				
Accounts receivable (net)		161	8,773	501
Due from other funds				
Total assets	$ 2,358,646	$ 851,280	$ 1,023,362	$ 255,068
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$	$	$ 25,309	$
Due to other funds			347	
Total liabilities	-	-	25,656	-
Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation			997,706	255,068
Law enforcement				
Assigned for				
Road and bridge				
Other purposes	2,358,646	851,280		
Unassigned				
Total fund balance	2,358,646	851,280	997,706	255,068
TOTAL LIABILITIES AND FUND BALANCE	$ 2,358,646	$ 851,280	$ 1,023,362	$ 255,068

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
$ 164	$ 61,649	$ 385,324	$ 58,184	$ 717,585	$ 229,698	$ 91,238	$ 39,488
	1,199						
		640					
$ 164	$ 62,848	$ 385,964	$ 58,184	$ 717,585	$ 229,698	$ 91,238	$ 39,488
$	$ 174	$ 1,750	$ 274	$	$ 1,313	$	$ 11,805
		251	114			10	
	174	2,001	388	-	1,313	10	11,805
		173,975					
		209,988					
			57,796	717,585			
164	62,674				228,385	91,228	27,683
164	62,674	383,963	57,796	717,585	228,385	91,228	27,683
$ 164	$ 62,848	$ 385,964	$ 58,184	$ 717,585	$ 229,698	$ 91,238	$ 39,488

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2015

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
ASSETS				
Cash and cash equivalents	$ 150,494	$ 987,317	$ 240,255	$ 37,439
Interest receivable				
Accounts receivable (net)	1,780	6,363		
Due from other funds		145,000		
Total assets	$ 152,274	$ 1,138,680	$ 240,255	$ 37,439
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 37,271	$ 4,356	$ 14,876	$
Due to other funds	150,288		1,587	
Total liabilities	187,559	4,356	16,463	-
Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation				
Law enforcement				
Assigned for				
Road and bridge				
Other purposes		1,134,324	223,792	37,439
Unassigned	(35,285)			
Total fund balance	(35,285)	1,134,324	223,792	37,439
TOTAL LIABILITIES AND FUND BALANCE	$ 152,274	$ 1,138,680	$ 240,255	$ 37,439

Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
$ 80,246	$ 67,434	$ 7,625,436
		1,199
2,742		20,960
	20,880	165,880
$ 82,988	$ 88,314	$ 7,813,475
$ 150	$ 3,613	$ 100,891
243		152,840
393	3,613	253,731
		173,975
		209,988
82,595	84,701	1,420,070
		775,381
		5,015,615
		(35,285)
82,595	84,701	7,559,744
$ 82,988	$ 88,314	$ 7,813,475

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2015

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
REVENUES				
Intergovernmental and grants	$	$	$	$
Fines and fees			478,895	52,498
Investment earnings	4,828	1,722	2,652	
Other revenues	71,937	21,328		
Total revenues	76,765	23,050	481,547	52,498
EXPENDITURES				
Current				
General government			307,110	4,509
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	74,000			
Capital outlay				
Capital outlay				
Total expenditures	74,000	-	307,110	4,509
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	2,765	23,050	174,437	47,989
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out			(200,000)	
Sale of property				
Total other financing sources (uses)	-	-	(200,000)	-
NET CHANGE IN FUND BALANCE	2,765	23,050	(25,563)	47,989
FUND BALANCES AT BEGINNING OF YEAR	2,355,881	828,230	1,023,269	207,079
FUND BALANCES AT END OF YEAR	$ 2,358,646	$ 851,280	$ 997,706	$ 255,068

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
$	$	$	$	$	$	$	$
		33,874	53,708			64,750	
11	1,327		122	1,527	427	155	79
					134,559		99
11	1,327	33,874	53,830	1,527	134,986	64,905	178
51,000							
	9,354						
		20,931	52,025	59,338	29,300		
						75,577	
		25,655				23,470	
51,000	9,354	46,586	52,025	59,338	29,300	99,047	
(50,989)	(8,027)	(12,712)	1,805	(57,811)	105,686	(34,142)	178
59,018				11,415			
					(19,527)		
59,018	-	-	-	11,415	(19,527)	-	-
8,029	(8,027)	(12,712)	1,805	(46,396)	86,159	(34,142)	178
(7,865)	70,701	396,675	55,991	763,981	142,226	125,370	27,505
$ 164	$ 62,674	$ 383,963	$ 57,796	$ 717,585	$ 228,385	$ 91,228	$ 27,683

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2015

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
REVENUES				
Intergovernmental and grants	$ 1,043,466	$ 12,000	$	$
Fines and fees		26,031		
Investment earnings	817	2,072	594	77
Other revenues			285,000	
Total revenues	1,044,283	40,103	285,594	77
EXPENDITURES				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	1,086,931	84,387	239,235	
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			30,693	
Total expenditures	1,086,931	84,387	269,928	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(42,648)	(44,284)	15,666	77
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Sale of property				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(42,648)	(44,284)	15,666	77
FUND BALANCES AT BEGINNING OF YEAR	7,363	1,178,608	208,126	37,362
FUND BALANCES AT END OF YEAR	$ (35,285)	$ 1,134,324	$ 223,792	$ 37,439

	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
	$ 23,984	$ 34,325	$ 1,113,775
	773		710,529
	204	152	16,766
	64,603		577,526
	89,564	34,477	2,418,596
			362,619
			9,354
			161,594
			75,577
	26,515		1,437,068
		8,662	8,662
			74,000
	52,181		131,999
	78,696	8,662	2,260,873
	10,868	25,815	157,723
	6,844		77,277
			(219,527)
	3,100		3,100
	9,944	-	(139,150)
	20,812	25,815	18,573
	61,783	58,886	7,541,171
	$ 82,595	$ 84,701	$ 7,559,744

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Position
September 30, 2015

Exhibit C-5

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
ASSETS			
Cash and cash equivalents	$ 2,240,291	$ 247,345	$ 2,487,636
Accounts receivable	37,611	102,820	140,431
Total assets	$ 2,277,902	$ 350,165	$ 2,628,067
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts payable	$ 13,494	$ 129,844	$ 143,338
Due to other funds		800,000	800,000
Total liabilities	13,494	929,844	943,338
Net position			
Unrestricted	2,264,408	(579,679)	1,684,729
Total net position	2,264,408	(579,679)	1,684,729
TOTAL LIABILITIES AND NET POSITION	$ 2,277,902	$ 350,165	$ 2,628,067

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2015

Exhibit C-6

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$	$ 5,608,986	$ 5,608,986
Total operating revenues	-	5,608,986	5,608,986
OPERATING EXPENSES			
Contracted services		1,122,640	1,122,640
Claims	76,636	4,210,214	4,286,850
Total operating expenses	76,636	5,332,854	5,409,490
OPERATING INCOME/(LOSS)	(76,636)	276,132	199,496
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	5,737	372	6,109
Settlement proceeds	2,055,945		2,055,945
Total nonoperating revenues (expenses)	2,061,682	372	2,062,054
Income before transfers	1,985,046	276,504	2,261,550
TRANSFERS			
Transfers in	50,000	200,000	250,000
Transfers out	(926,637)		(926,637)
Net transfers	(876,637)	200,000	(676,637)
CHANGE IN NET POSITION	1,108,409	476,504	1,584,913
NET POSITION AT BEGINNING OF YEAR	1,155,999	(1,056,183)	99,816
NET POSITION AT END OF YEAR	$ 2,264,408	$ (579,679)	$ 1,684,729

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2015

Exhibit C-7

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Other operating receipts	$ (37,611)	$	$ (37,611)
Cash received from interfund services provided		5,558,095	5,558,095
Cash payments for claims	(63,142)	(4,207,763)	(4,270,905)
Cash payments for insurance premiums		(1,122,640)	(1,122,640)
Net cash provided by (used in) operating activities	(100,753)	227,692	126,939
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers, net	(876,637)	(400,000)	(1,276,637)
Settlement proceeds	2,055,945	-	2,055,945
Net cash provided by non-capital financing activities	1,179,308	(400,000)	779,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	5,737	372	6,109
Net cash provided by investing activities	5,737	372	6,109
CHANGE IN CASH AND CASH EQUIVALENTS	1,084,292	(171,936)	912,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,155,999	419,281	1,575,280
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,240,291	$ 247,345	$ 2,487,636
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES			
Operating income/(loss)	$ (76,636)	$ 276,132	$ 199,496
Net change in:			
Accounts receivable	(37,611)	(50,891)	(88,502)
Claims payable	13,494	2,451	15,945
Total adjustments	(24,117)	(48,440)	(72,557)
Net cash provided by (used in) operating activities	$ (100,753)	$ 227,692	$ 126,939

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2015

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Appellate Judicial Fund	County Clerk
ASSETS:					
Cash and cash equivalents	$ 226,849	$ 2,874	$ 84,931	$ 1,082	$ 138,694
Due from other funds	13,875				
Accounts receivable	11,640		6,750		
TOTAL ASSETS	$ 252,364	$ 2,874	$ 91,681	$ 1,082	$ 138,694
LIABILITIES:					
Accounts payable	$ 239,473	$	$	$	$
Due to other funds	13,838		13,875		
Due to others	(947)	2,874	77,806	1,082	138,694
TOTAL LIABILITIES	$ 252,364	$ 2,874	$ 91,681	$ 1,082	$ 138,694

Tax Assessor Collector	District Clerk	JP Precinct 1 Place 1	JP Precinct 1 Place 2	Inmate Fund	Jail Commissary Fund	Sheriff Fund
$ 677,171	$ 413,590	$ 3,638	$ (1,114)	$ 22,426	$ 111,981	$ 649
$ 677,171	$ 413,590	$ 3,638	$ (1,114)	$ 22,426	$ 111,981	$ 649
$	$	$	$	$	$	$
677,171	413,590	3,638	(1,114)	22,426	111,981	649
$ 677,171	$ 413,590	$ 3,638	$ (1,114)	$ 22,426	$ 111,981	$ 649

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2015

	Social Services Fund	Community Corrections Fund	Restitution Center Fund	Tax Assessor Sales Tax	Tax Assessor Escrow
ASSETS:					
Cash and cash equivalents	$ 6,354	$ 1,551,326	$ 215,224	$ 9,576	$ 816,124
Due from other funds					
Accounts receivable					
TOTAL ASSETS	$ 6,354	$ 1,551,326	$ 215,224	$ 9,576	$ 816,124
LIABILITIES:					
Accounts payable	$	$	$	$	$
Due to other funds					
Due to others	6,354	1,551,326	215,224	9,576	816,124
TOTAL LIABILITIES	$ 6,354	$ 1,551,326	$ 215,224	$ 9,576	$ 816,124

Employee Service Fund	County Clerk Bail Bonds	District Clerk Registry Fund	District Attorney Escrow	Local Emergency Planning	JP 3 Fund	Total Agency Funds
$ 11,108	$ 500,108	$ 410,027	$ 80,830	$ 638	$ 1,154	$ 5,285,240
						13,875
						18,390
$ 11,108	$ 500,108	$ 410,027	$ 80,830	$ 638	$ 1,154	$ 5,317,505
$	$	$	$	$	$	$ 239,473
						27,713
11,108	500,108	410,027	80,830	638	1,154	5,050,319
$ 11,108	$ 500,108	$ 410,027	$ 80,830	$ 638	$ 1,154	$ 5,317,505

GOVERNMENTAL REPORTING SECTION

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INDEPENDENT AUDITOR'S 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*

The Honorable Judge
Members of the Commissioners Court
Taylor 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 Taylor County, Texas, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Kinard & Co, PC

Certified Public Accountants

Abilene, Texas

March 29, 2016