

TAYLOR COUNTY, TEXAS

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 27, 2017, 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.

Daniel Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
March 27, 2017

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, 2016. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net position was \$62 million at September 30, 2016. This represents a decrease of \$5.6 million from September 30, 2015. Of this amount, \$23.7 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$5.6 million more than the \$52.4 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$24.1 million, all but \$8,612 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.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net position were approximately \$62 million at September 30, 2016. The largest portion of the County's net position (57%) 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 (5%) 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.

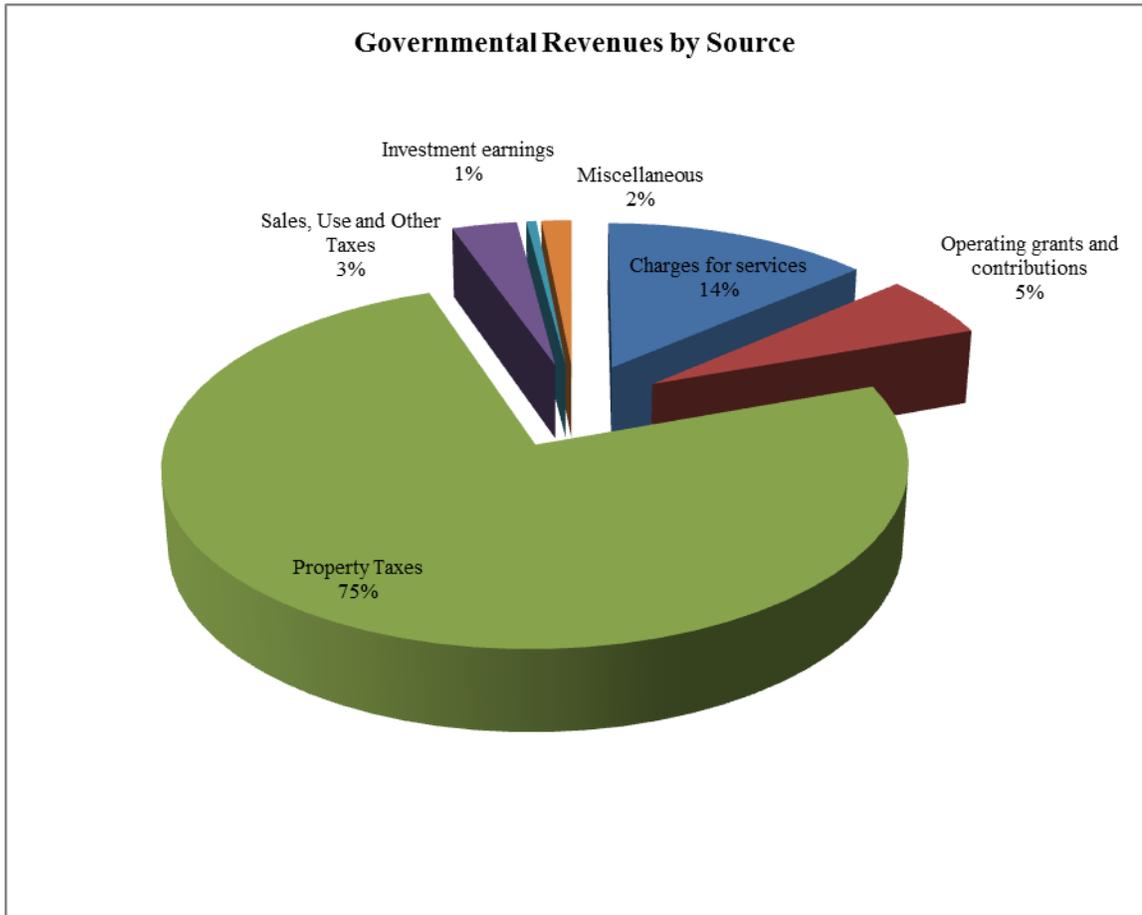
	Governmental Activities	
	September 30, 2016	September 30, 2015
Current and Other Assets	\$ 44,057,655	\$ 45,057,249
Capital Assets	35,235,221	38,108,502
Total Assets	<u>79,292,876</u>	<u>83,165,751</u>
Deferred Outflows of Resources	8,892,593	2,488,544
Current Liabilities	4,313,258	3,925,022
Long Term Liabilities	20,921,712	13,547,333
Total Liabilities	<u>25,234,970</u>	<u>17,472,355</u>
Deferred Inflows of Resources	927,261	555,127
Net Position		
Net Investment in Capital Assets	35,247,833	37,491,073
Restricted	3,034,320	2,878,708
Unrestricted	23,741,085	27,257,032
Total Net Position	<u>\$ 62,023,238</u>	<u>\$ 67,626,813</u>

Changes in Net Position—Taylor County’s net position decrease by approximately \$5.6 million during the current fiscal year.

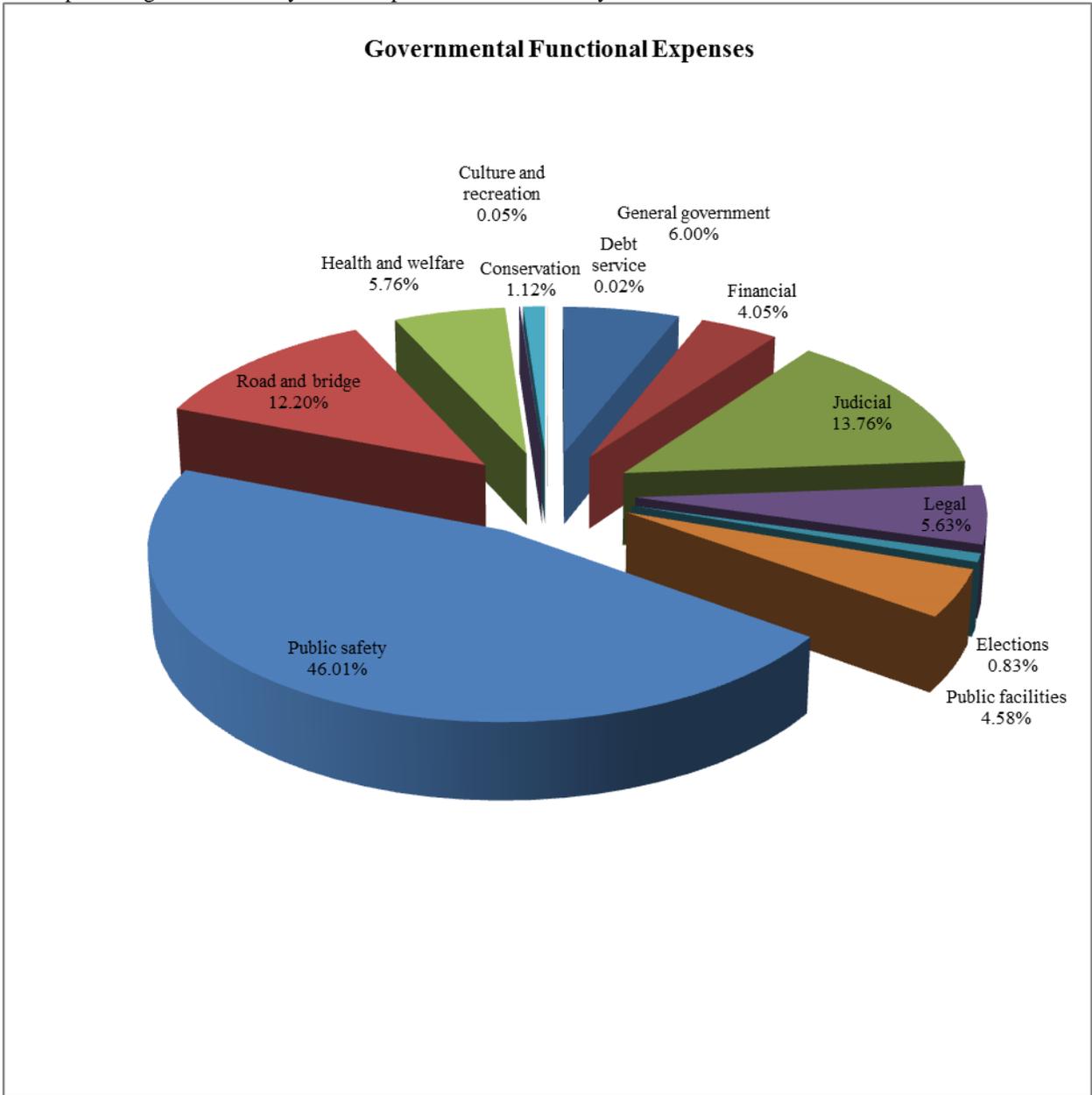
	Governmental	
	Activities	
	Fiscal Year 2016	Fiscal Year 2015
Revenues:		
Program Revenues:		
Charges for Services	\$ 7,154,931	\$ 9,379,840
Operating Grants and Contributions	3,084,756	1,859,613
General Revenues:		
Property Taxes	39,372,073	36,569,563
Sales and Use and Other Taxes	1,745,346	1,897,650
Investment Earnings	271,082	149,815
Miscellaneous Revenue	622,255	447,595
Settlement Proceeds	180,844	2,055,945
Gain on Sale of Assets	-	9,422
Total Revenues	<u>52,431,287</u>	<u>52,369,443</u>
Expenses:		
General Government	3,483,722	2,893,488
Financial Administration	2,352,117	2,060,600
Judicial	7,983,179	6,676,529
Legal	3,267,784	2,714,176
Elections	480,731	424,985
Public Facilities	2,658,615	2,519,517
Public Safety	26,704,654	22,497,119
Road and Bridge	7,077,415	6,717,861
Health and Welfare	3,340,351	3,502,950
Conservation	648,388	546,990
Culture and Recreation	28,095	26,109
Interest on Long-Term Debt	9,811	37,990
Total Expenses	<u>58,034,862</u>	<u>50,618,314</u>
Change in Net Position	(5,603,575)	1,751,129
Beginning Net Position	67,626,813	65,875,684
Ending Net Position	<u>\$ 62,023,238</u>	<u>\$ 67,626,813</u>

Governmental Activities—Total revenues for the fiscal year ending September 30, 2016 were \$52.4 million. Approximately 78% of the County’s revenue comes from taxes, with over 75% from property taxes alone. Property tax revenue increased 8% due to an increase in the tax base.

Expenditures increased by \$7.4 million from the prior year, due to the net effect of increases in public safety, judicial, and pension cost.



The total cost for all programs and services totaled \$58 million for the year ended September 30, 2016. Of this amount, the largest operating services areas were public safety which totaled \$26.7 million or 46% of total expenses for the year, and road and bridge services which totaled \$7.1 million, or 12% of total expenses for the year. In the prior year, these two operating areas comprised 58% of total expenses. Costs related to judicial (14%) and 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 \$35.4 million, an increase of \$92,546 or .3% in comparison with the prior year. Approximately 68% of this total amount (\$24.1 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 (\$11.2 million), 2) retirement of bonded indebtedness (\$72 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 \$24.1 million. Approximately \$24.1 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 55% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$488 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 \$1.2 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$752 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, 2016, the County had invested \$35.2 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 \$2.8 million, or 7.5% 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 31 of this report.

	Governmental Activities		Percent Change
	2016	2015	
Land	\$ 1,995,604	\$ 1,975,105	1.04%
Construction in Progress	556,115	-	N/A
Buildings and Improvements	72,078,252	71,330,521	1.05%
Furniture and Equipment	6,306,659	5,582,399	12.97%
Vehicles and Heavy Equipment	11,703,034	10,993,773	6.45%
Infrastructure	70,512,665	70,512,665	0.00%
Total	<u>163,152,329</u>	<u>160,394,463</u>	<u>1.72%</u>
Total Accumulated Depreciation	<u>(127,917,108)</u>	<u>(122,285,961)</u>	4.60%
Net Capital Assets	<u>\$ 35,235,221</u>	<u>\$ 38,108,502</u>	<u>-7.54%</u>

Long-Term Debt — At the end of the year, the County had \$20.9 million of long-term obligations.

	2016	2015	Change
Bonds Payable	\$ -	\$ 630,000	-100%
Compensated Absences	1,052,870	1,008,733	4%
Net OPEB Obligation	6,316,967	5,318,968	19%
Net Pension Liability	13,551,875	7,219,632	88%
Total	\$ 20,921,712	\$ 14,177,333	48%

During the year, Taylor County's long-term obligations increased by \$6.7 million.

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.

Subsequent to the fiscal year, the County issued Series 2017 Limited Tax General Obligation Bonds at par for \$48,320,000 with a premium of \$7,220,124 on February 23, 2017. The bond proceeds will be used for purchase and construction of buildings and other permanent improvements for the Taylor County Coliseum and Fair Grounds.

More detailed information about the County's long-term liabilities can be found in Note 7 on Pages 32-33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The net taxable appraised value used for the 2017 budget preparation is estimated to be up \$330 million, or 4.3% from 2016. Total values for Taylor County, without adjustments, were up 5.5%.
- The combined tax rate established for 2017 is \$.5350, an increase of \$.0081 from 2016.
- Taylor County's unemployment rate is currently 4.0%, compared to 3.3% in 2016. The State unemployment rate in December 2016 was 4.8%.
- 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 2017 fiscal year.

Amounts available for appropriation in the General Fund budget are \$45,847,554, an increase of 4% over the 2016 budget of \$44,141,044. 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 8% to \$47,667,294. The largest increments are increases in the function of law enforcement and corrections of. The County has added no major new programs or initiatives to the 2017 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, 2016

Exhibit A-1

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 23,654,419
Investments	15,000,889
Receivables (net of allowance for uncollectibles)	
Taxes	438,900
Other	4,940,683
Due from agency funds	14,152
Prepaid expenses	5,201
Inventories	3,411
Capital Assets	
Land	1,995,604
Construction in progress	556,115
Infrastructure, net	4,932,965
Buildings and improvements, net	21,894,412
Vehicles and heavy equipment, net	2,798,523
Furniture and equipment, net	3,057,602
Total assets	79,292,876
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	8,892,593
LIABILITIES:	
Accounts payable and other current liabilities	2,113,787
Payroll liabilities	1,498,873
Due to other governments	700,598
Noncurrent liabilities	
Due in more than one year	20,921,712
Total liabilities	25,234,970
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	927,261
NET POSITION:	
Net investment in capital assets	35,247,833
Restricted for	
Debt service	83,123
Technology	180,170
Security	209,988
Enabling legislation	1,824,643
Law enforcement	736,396
Unrestricted	23,741,085
Total net position	\$ 62,023,238

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 3,483,722	\$ 2,464,559	\$ 580,799
Financial	2,352,117	558,440	
Judicial	7,983,179	1,629,257	
Legal	3,267,784	59,149	89,414
Elections	480,731	63,549	16,743
Public facilities	2,658,615	23,492	
Public safety	26,704,654	504,693	2,313,819
Road and bridge	7,077,415	1,804,897	66,883
Health and welfare	3,340,351		17,098
Conservation	648,388	46,895	
Culture and recreation	28,095		
Interest and fees on long-term debt	9,811		
	<u>58,034,862</u>	<u>7,154,931</u>	<u>3,084,756</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 58,034,862</u>	<u>\$ 7,154,931</u>	<u>\$ 3,084,756</u>

General Revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for debt purposes
- Other taxes
- Miscellaneous revenues
- Investment earnings
- Settlement proceeds
- Total general revenues

Change in net position

Net position at beginning of year

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
\$ (438,364)	\$ (438,364)
(1,793,677)	(1,793,677)
(6,353,922)	(6,353,922)
(3,119,221)	(3,119,221)
(400,439)	(400,439)
(2,635,123)	(2,635,123)
(23,886,142)	(23,886,142)
(5,205,635)	(5,205,635)
(3,323,253)	(3,323,253)
(601,493)	(601,493)
(28,095)	(28,095)
(9,811)	(9,811)
<u>(47,795,175)</u>	<u>(47,795,175)</u>
<u>(47,795,175)</u>	<u>(47,795,175)</u>
38,957,070	38,957,070
415,003	415,003
1,745,346	1,745,346
622,255	622,255
271,082	271,082
180,844	180,844
<u>42,191,600</u>	<u>42,191,600</u>
(5,603,575)	(5,603,575)
<u>67,626,813</u>	<u>67,626,813</u>
<u>\$ 62,023,238</u>	<u>\$ 62,023,238</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Exhibit A-3

Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	\$ 13,968,930	\$ 2,432,219	\$ 1,174,249
Investments	15,000,889		
Receivables (net of allowances for uncollectibles)			
Property taxes	411,016		16,416
Other	329,455		58,811
Fines and fees	4,486,908		
Interest			
Due from other funds			
Due from internal service funds	1,400,000		
Due from agency funds	14,152		
Inventories	3,411		
Prepaid items	5,201		
Total assets	<u>\$ 35,619,962</u>	<u>\$ 2,432,219</u>	<u>\$ 1,249,476</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,438,403	\$ 142,350	\$ 259,667
Payroll liabilities	1,498,873		
Due to other funds	2,946,660		38,541
Due to other governments	700,598		
Total liabilities	<u>6,584,534</u>	<u>142,350</u>	<u>298,208</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	411,016		16,416
Unavailable revenue - fines and fees	4,486,908		
Total deferred inflows of resources	<u>4,897,924</u>	<u>-</u>	<u>16,416</u>
Fund balances:			
Nonspendable			
Prepaid items and inventories	8,612		
Restricted for			
Debt service			
Capital projects			
Technology			
Security			
Enabling legislation			
Law enforcement			
Assigned for			
Road and bridge			934,852
Contingencies		2,289,869	
Other purposes			
Unassigned	24,128,892		
Total fund balances	<u>24,137,504</u>	<u>2,289,869</u>	<u>934,852</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,619,962</u>	<u>\$ 2,432,219</u>	<u>\$ 1,249,476</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 5,190,589	\$ 22,765,987
	15,000,889
11,468	438,900
19,622	407,888
	4,486,908
1,655	1,655
3,153,385	3,153,385
	1,400,000
	14,152
	3,411
	5,201
<u>\$ 8,376,719</u>	<u>\$ 47,678,376</u>
\$ 138,584	\$ 1,979,004
	1,498,873
168,184	3,153,385
	700,598
<u>306,768</u>	<u>7,331,860</u>
11,468	438,900
	4,486,908
<u>11,468</u>	<u>4,925,808</u>
	8,612
71,655	71,655
12,612	12,612
180,170	180,170
209,988	209,988
1,824,643	1,824,643
736,396	736,396
	934,852
	2,289,869
5,056,488	5,056,488
(33,469)	24,095,423
<u>8,058,483</u>	<u>35,420,708</u>
<u>\$ 8,376,719</u>	<u>\$ 47,678,376</u>

TAYLOR COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2016

Exhibit A-4

Total Fund Balance-Governmental Funds	\$	35,420,708
<p>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 decrease net position.</p>		
		(602,119)
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 163,152,329	
Accumulated depreciation	<u>(127,917,108)</u>	35,235,221
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Other Postemployment Benefit Obligation	\$ (6,316,967)	
Compensated absences	(1,052,870)	
Net pension liability	<u>(13,551,875)</u>	(20,921,712)
<p>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.</p>		
Deferred inflow of resources	\$ (927,261)	
Deferred outflow of resources	<u>8,892,593</u>	7,965,332
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Unavailable revenue - office fees receivable	\$ 4,486,908	
Unavailable revenue - property taxes	<u>438,900</u>	<u>4,925,808</u>
Net Position of Governmental Activities-Statement of Net Position	\$	<u><u>62,023,238</u></u>

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, 2016

Exhibit A-5

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	\$ 37,418,541	\$	\$ 1,478,072
Other taxes	514,288		1,231,058
License and permits	616,003		1,659,440
Intergovernmental and grants	1,990,031		
Fines and fees	3,996,353		58,521
Rents and recoveries	1,728		
Investment earnings	225,528	9,400	3,434
Miscellaneous	125,467		2,783
Total revenues	<u>44,887,939</u>	<u>9,400</u>	<u>4,433,308</u>
EXPENDITURES			
Current			
General government	2,931,627		
Financial	2,136,439		
Judicial	7,491,298		
Legal	2,777,271		
Elections	371,907		
Public facilities	1,100,052	206,877	
Public safety	21,638,188		
Road and bridge	410		3,565,958
Health and welfare	3,125,234		
Conservation	576,292		
Culture and Recreation	28,095		
Debt Service			
Debt principal			
Debt interest and agent fees			
Capital Outlay			
Capital outlay	1,801,421	581,811	674,678
Total expenditures	<u>43,978,234</u>	<u>788,688</u>	<u>4,240,636</u>
Excess revenues over expenditures	909,705	(779,288)	192,672
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(421,331)		
Sale of property			3,914
Total other financing sources (uses)	<u>(421,331)</u>	<u>-</u>	<u>3,914</u>
NET CHANGE IN FUND BALANCE	488,374	(779,288)	196,586
FUND BALANCE AT BEGINNING OF YEAR	<u>23,649,130</u>	<u>3,069,157</u>	<u>738,266</u>
FUND BALANCE AT END OF YEAR	<u>\$ 24,137,504</u>	<u>\$ 2,289,869</u>	<u>\$ 934,852</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 414,918	\$ 39,311,531
	1,745,346
	2,275,443
1,094,725	3,084,756
710,176	4,765,050
	1,728
28,589	266,951
594,516	722,766
<u>2,842,924</u>	<u>52,173,571</u>
181,057	3,112,684
10,883	2,147,322
611	7,491,909
190,612	2,967,883
72,757	444,664
	1,306,929
1,385,921	23,024,109
6,165	3,572,533
62,600	3,187,834
	576,292
	28,095
630,000	630,000
13,031	13,031
102,413	3,160,323
<u>2,656,050</u>	<u>51,663,608</u>
186,874	509,963
45,955	45,955
(45,955)	(467,286)
	3,914
<u>-</u>	<u>(417,417)</u>
186,874	92,546
7,871,609	35,328,162
<u>\$ 8,058,483</u>	<u>\$ 35,420,708</u>

TAYLOR COUNTY, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2016

Exhibit A-6

Net Change in Fund Balances -Total Governmental Funds	\$	92,546
<p>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.</p>		
		(2,286,848)
<p>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.</p>		
Capital outlay	\$ 3,198,324	
Debt principal payments	<u>630,000</u>	3,828,324
<p>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.</p>		
		(6,048,676)
<p>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.</p>		
Contributions made after measurement date	\$ 1,682,206	
Pension expense	<u>(1,982,534)</u>	(300,328)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Increase in office fines and fees receivable	\$ 112,710	
Increase in unavailable tax revenues	60,542	
Decrease in bond interest payable	3,220	
Increase in Other Postemployment Benefit Obligation	(997,999)	
Net book value of assets retired	(22,929)	
Increase in compensated absences	<u>(44,137)</u>	<u>(888,593)</u>
Change in Net Position of Governmental Activities-Statement of Activities	\$	<u><u>(5,603,575)</u></u>

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, 2016

Exhibit A-7

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 888,432
Accounts receivable	<u>44,232</u>
Total current assets	<u>\$ 932,664</u>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 134,783
Due to other funds	<u>1,400,000</u>
Total current liabilities	<u>1,534,783</u>
Net position	
Unrestricted	<u>(602,119)</u>
Total net position	<u>(602,119)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 932,664</u>

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, 2016

Exhibit A-8

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 5,259,204
Total operating revenues	5,259,204
OPERATING EXPENSES	
Contract services	1,280,175
Claims	6,872,183
Total operating expenses	8,152,358
OPERATING LOSS	(2,893,154)
NONOPERATING REVENUES	
Investment earnings	4,131
Settlement proceeds	180,844
Total nonoperating revenues (expenses)	184,975
Loss before transfers	(2,708,179)
TRANSFERS	
Transfers in	750,000
Transfers out	(328,669)
Net transfers	421,331
CHANGE IN NET POSITION	(2,286,848)
NET POSITION AT BEGINNING OF YEAR	1,684,729
NET POSITION AT END OF YEAR	\$ (602,119)

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, 2016

Exhibit A-9

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Other operating receipts	\$ 37,611
Cash received from interfund services provided	5,317,792
Cash payments for claims	(6,880,738)
Cash payments for insurance premiums	<u>(1,280,175)</u>
Net cash used in operating activities	<u>(2,805,510)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,021,331
Settlement proceeds	<u>180,844</u>
Net cash provided by non-capital financing activities	<u>1,202,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>4,131</u>
Net cash provided by investing activities	<u>4,131</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,599,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,487,636</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 888,432</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ (2,893,154)
Net change in:	
Accounts receivable	96,199
Claims payable	<u>(8,555)</u>
Total adjustments	<u>87,644</u>
Net cash used in operating activities	<u>\$ (2,805,510)</u>

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, 2016

Exhibit A-10

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 4,679,283
Due from other funds	15,150
Accounts receivable	<u>14,959</u>
 TOTAL ASSETS	 \$ <u><u>4,709,392</u></u>
 LIABILITIES:	
Accounts payable	\$ 246,135
Due to other funds	29,302
Due to others	<u>4,433,955</u>
 TOTAL LIABILITIES	 \$ <u><u>4,709,392</u></u>

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 met.

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 TCERS'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 1: Summary of Significant Accounting Policies, continued

• Fair Value Measurements

The County adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended September 30, 2016.

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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

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, 2016, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	<u>Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
General Fund			
TexPool	\$ 10,015,154	< 60 days - Weighted Avg.	AAAm
TexTerm	3,005,524	< 60 days - Weighted Avg.	AAAm
Total Cash in First Financial Bank	13,690,871		
Municipal bond	4,500,000	15 months	A
U.S. Government Backed Securities	999,900	1 - 5 years	
Certificates of deposit	6,443,859	1 - 5 years	
	<u>\$ 38,655,308</u>		

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Municipal bond: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Backed Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of September 30, 2016:

<u>Assets at Fair Value as of September 30, 2016</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
TexPool	\$ 10,015,154	\$	\$	\$ 10,015,154
TexTerm	3,005,524			3,005,524
Total Cash in First Financial Bank	13,690,871			13,690,871
Municipal bond		4,500,000		4,500,000
U.S. Government Backed Securities		999,900		999,900
Certificates of deposit	6,443,859			6,443,859
	<u>\$ 33,155,408</u>	<u>\$ 5,499,900</u>	<u>\$ -</u>	<u>\$ 38,655,308</u>

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, 2016 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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 3: Deposits and Investments, 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.

B. Investment Accounting Policy, continued

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	\$	\$ 411,016	\$ 329,455	\$ 4,486,908	\$ 5,227,379
Road and Bridge Fund		16,416	58,811		75,227
Non-major Governmental Funds	1,655	11,468	19,622		32,745
Total-Governmental Funds	<u>\$ 1,655</u>	<u>\$ 438,900</u>	<u>\$ 407,888</u>	<u>\$ 4,486,908</u>	<u>\$ 5,335,351</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ (438,900)</u>	<u>\$ -</u>	<u>\$ (4,486,908)</u>	<u>\$ (4,925,808)</u>
Internal Service Funds	\$	\$	\$ 44,232	\$	\$ 44,232
Total-Internal Service Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,232</u>	<u>\$ -</u>	<u>\$ 44,232</u>

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 5: Capital Assets

Capital asset activity for the period ended September 30, 2016 was as follows:

	<u>Balance</u> <u>October 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2016</u>
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,975,105	\$ 20,499	\$	\$ 1,995,604
Construction in progress		<u>556,115</u>		<u>556,115</u>
Total Non-depreciable Assets	<u>1,975,105</u>	<u>576,614</u>		<u>2,551,719</u>
Depreciable Assets				
Buildings and Improvements	71,330,521	747,731		72,078,252
Furniture and Equipment	5,582,399	789,998	65,738	6,306,659
Vehicles and Heavy Equipment	10,993,773	1,083,981	374,720	11,703,034
Infrastructure	<u>70,512,665</u>			<u>70,512,665</u>
Total Depreciable Assets	<u>158,419,358</u>	<u>2,621,710</u>	<u>440,458</u>	<u>160,600,610</u>
Total at Historic Cost	<u>160,394,463</u>	<u>3,198,324</u>	<u>440,458</u>	<u>163,152,329</u>
Less Accumulated Depreciation:				
Buildings and Improvements	47,956,994	2,226,846		50,183,840
Furniture and Equipment	3,077,998	236,797	65,738	3,249,057
Vehicles and Heavy Equipment	8,343,492	912,810	351,791	8,904,511
Infrastructure	<u>62,907,477</u>	<u>2,672,223</u>		<u>65,579,700</u>
Total Accumulated Depreciation	<u>122,285,961</u>	<u>6,048,676</u>	<u>417,529</u>	<u>127,917,108</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,108,502</u>	<u>\$ (2,850,352)</u>	<u>\$ 22,929</u>	<u>\$ 35,235,221</u>

Depreciation was charged to functions as follows:

General Administration	\$ 112,796
Financial	4,865
Judicial	34,163
Elections	3,143
Public Safety	1,322,667
Public Facilities	1,311,560
Road and Bridge	3,251,678
Health and Welfare	4,296
Conservation	3,508
	<u>\$ 6,048,676</u>

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2016, consisted of the following:

Due to Nonmajor Special Revenue Funds from	
General fund	\$ 2,946,660
Road and bridge fund	38,541
Nonmajor Special Revenue Funds	168,184
Due from Other Funds	<u>\$ 3,153,385</u>
Due to General Fund from:	
Agency Funds	<u>\$ 14,152</u>
Due to General Fund from:	
Internal Service Funds	<u>\$ 1,400,000</u>

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, 2016, consisted of the following:

Transfers from General Fund to:	
Internal Service Funds	\$ 421,331
	<u>\$ 421,331</u>
Transfers from Nonmajor Special Revenue Funds to:	
Nonmajor Special Revenue Funds	\$ 45,955
	<u>\$ 45,955</u>
Transfers to Internal Service Fund to:	
General Fund	\$ 421,331
	<u>\$ 421,331</u>

Transfers from the general fund provide additional funding for special projects 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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 7: Long-Term Obligations, continued

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, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds, Loans and Leases Payable				
General Obligation Bonds	\$ <u>630,000</u>	\$ _____	\$ <u>630,000</u>	\$ _____
Other Liabilities				
Compensated Absences	1,008,733	44,137		1,052,870
Net OPEB Obligation	5,318,968	997,999		6,316,967
Net Pension Liability	<u>7,219,632</u>	<u>6,332,243</u>		<u>13,551,875</u>
Total Other Liabilities	<u>13,547,333</u>	<u>7,374,379</u>	<u>-</u>	<u>20,921,712</u>
Total Governmental Activities				
Long-term Liabilities	\$ <u><u>14,177,333</u></u>	\$ <u><u>7,374,379</u></u>	\$ <u><u>630,000</u></u>	\$ <u><u>20,921,712</u></u>

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, 2016, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,052,870.

NOTE 9: Deferred Outflows and Inflows of Resources

Deferred inflows of resources in the government funds balance sheet at September 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 411,016	\$ 16,416	\$ 11,468	\$ 438,900
Net Fines and Fees	<u>4,486,908</u>	<u> </u>	<u> </u>	<u>4,486,908</u>
Total	\$ <u><u>4,897,924</u></u>	\$ <u><u>16,416</u></u>	\$ <u><u>11,468</u></u>	\$ <u><u>4,925,808</u></u>

Adjustments required for government-wide Statement of Net Position decreased unavailable revenue by \$4,925,808.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

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, 2016 consisted of the following:

Deferred Outflows - Pension	\$	8,892,593
Total		<u>8,892,593</u>
Deferred Inflows - Pension	\$	927,261
Total		<u>927,261</u>

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 \$2,027,956, \$94,178, and \$28,713, for liability claims during the years ended September 30, 2016, 2015, and 2014, respectively. There were no unpaid claims at September 30, 2016.

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 \$4,878,442, \$4,270,905, and \$4,321,118, in health claims, and paid \$956,098, \$812,366, and \$782,921, for administrative costs, for the years ended September 30, 2016, 2015, and 2014, respectively. The County contributed \$4,184,416, \$3,720,371, and \$3,822,536 and County employees contributed \$793,938, \$776,706, and \$672,804 to the health insurance program for the years ended September 30, 2016, 2015, and 2014, respectively. Retirees and other agency contributions were \$280,850, \$311,909, and \$299,834, for the years ended September 30, 2016, 2015, and 2014, 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 \$134,783, \$143,338, and \$127,393, at September 30, 2016, 2015, and 2014, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2016, 2015, and 2014.

Year Ending September 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2014	\$ 181,143	\$ 4,321,118	\$ 4,374,868	\$ 127,393
2015	127,393	4,286,850	4,270,905	143,338
2016	143,338	6,872,183	6,880,738	134,783

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 \$179,068, \$144,042, and \$121,272, in worker's compensation claims for the years ended September 30, 2016, 2015, and 2014. 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 \$14,850, \$7,719, and \$25,377, at September 30, 2016, 2015, and 2014, 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 \$176,138 at September 30, 2016. In the opinion of management, net position is adequate to meet probable claim contingencies at September 30, 2016. The Employee Benefits Fund has a net position of (\$778,257).

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 701 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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 11: Retirement Plan - continued

Membership. Membership in the TCDRS plan at December 31, 2015 consisted of the following:

Inactive Employees' Accounts:	
Receiving benefits	283
Entitled to but not yet receiving benefits	457
Total	740
Active Employees' Accounts	631

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.

<u>Contribution Rates</u>	<u>2015</u>	<u>2016</u>
Member	7.0%	7.0%
Employers	10.15%	10.15%
Employer Contributions	\$2,288,264	\$2,479,326
Member Contributions	\$1,591,328	\$1,695,794

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.10%
Salary Increases*	4.90%, average
Payroll Growth Rate	1.50%
<i>*Includes Inflation of 3%</i>	

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were changes in assumptions and methods reflected in the December 31, 2015 actuarial valuation. Mortality assumptions have been changed to reflect projected improvements. All other assumptions and methods are the same as used in the prior valuation. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

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	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities – Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities – Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁴	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

¹ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

² Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

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, 2016, the County reported a net pension liability of \$13,551,875 for its net pension liability measured at December 31, 2015.

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, 2015 are as follows:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances at December 31, 2014	\$ 100,211,385	\$ 92,991,753	\$ 7,219,632
Changes for the year:			
Service cost	2,602,761	-	2,602,761
Interest on total pension liability-(1)	8,064,473	-	8,064,473
Effect of plan changes-(2)	(403,314)	-	(403,314)
Effect of economic/demographic gains or losses	(681,221)	-	(681,221)
Effect of assumptions changes or inputs	1,094,092	-	1,094,092
Refund of contributions	(293,217)	(293,217)	-
Benefit payments	(4,326,121)	(4,326,121)	-
Administrative expenses	-	(66,784)	66,784
Member contributions	-	1,695,794	(1,695,794)
Net investment income	-	431,691	(431,691)
Employer contributions	-	2,479,326	(2,479,326)
Other-(3)	-	(195,479)	195,479
Balances as of December 31, 2015	<u>\$ 106,268,838</u>	<u>\$ 92,716,963</u>	<u>\$ 13,551,875</u>

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

[2] Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

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

For the year ended September 30, 2016, the County recognized pension expense of \$2,877,745.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 11: Retirement Plan - continued

Discount Rate Sensitivity Analysis. The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) 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	\$ 119,603,855	\$ 106,268,838	\$ 95,119,012
Fiduciary net position	<u>92,716,963</u>	<u>92,716,963</u>	<u>92,716,963</u>
Net pension liability / (asset)	<u>\$ 26,886,892</u>	<u>\$ 13,551,875</u>	<u>\$ 2,402,049</u>

At December 31, 2015, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 927,261	\$ -
Changes in actuarial assumptions	-	820,569
Net difference between projected and actual investment earnings	-	6,389,818
Contributions paid to TCDRS subsequent to the measurement date	-	1,682,206
Total	<u>\$ 927,261</u>	<u>\$ 8,892,593</u>

\$1,682,206 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:

<u>Year ended September 30:</u>	
2017	\$ 1,618,418
2018	1,618,418
2019	1,618,418
2020	<u>1,427,872</u>
Total	<u>\$ 6,283,126</u>

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, 2016, the County had \$8,612 in nonspendable fund balance for prepaid items and inventories.

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 \$71,655 as of September 30, 2016. Fund balance restricted for capital projects totaled \$12,612 as of September 30, 2016. Special revenue fund balance restricted for specific programs included technology, security, enabling legislation, and law enforcement and totaled \$180,170, \$209,988, \$1,824,643, and \$736,396, respectively, as of September 30, 2016.

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, 2016, 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, 2016, the County had \$934,852 in fund balance assigned for road and bridge, \$2,289,869 assigned for contingencies and \$5,056,488 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 504 active employees and 40 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.

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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 13: Postemployment Healthcare Benefits, continued

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, 2016 is as follows:

Annual Required Contribution (ARC)	\$ 1,394,540
Interest on OPEB Obligation	212,759
Adjustment to the ARC	<u>(207,263)</u>
Annual OPEB Cost	1,400,036
Net Estimated Employer Contributions	<u>(402,037)</u>
Increase (Decrease) in Net OPEB Obligation	997,999
Net OPEB Obligation, Beginning of the Year	<u>5,318,968</u>
Net OPEB Obligation, End of the Year	<u><u>\$ 6,316,967</u></u>

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
9/30/2014	\$ 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%
9/30/2016	402,037	1,400,036	28.7%	6,316,967	1,394,540	28.8%

Funding Status and Funding Progress

The funded status of the County's retiree health care plan as of December 31, 2015 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
12/31/2015	\$ -	\$ 12,433,731	\$ 12,433,731	0.0%	\$ 20,428,115	60.9%
12/31/2013	-	11,044,586	11,044,586	0.0%	19,271,035	57.3%
12/31/2011	-	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 \$12,433,731 at December 31, 2015. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 60.9%.

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.

Taylor County, Texas
Notes to Financial Statements
September 30, 2016

NOTE 13: Postemployment Healthcare Benefits, continued

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:

<u>Actuarial Valuation Date</u>	<u>12/31/2015</u>
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%
Inflation Rate	2.5%
Medical Trend Rate	7.5% in 2016 decreasing to 4.9% in 12 years

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: 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.

NOTE 15: Subsequent Event

The County issued Series 2017 Limited Tax General Obligation Bonds at par for \$48,320,000 with a premium of \$7,220,124 on February 23, 2017. The bond proceeds will be used for purchase and construction of buildings and other permanent improvements for the Taylor County Coliseum and Fair Grounds.

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

Exhibit B-1

	<u>Budget Amounts</u>			Variance from Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 36,000,000	\$ 36,000,000	\$ 37,418,541	\$ 1,418,541
Other taxes	530,000	530,000	514,288	(15,712)
License and permits	577,200	577,200	616,003	38,803
Intergovernmental and grants	1,633,800	1,678,060	1,990,031	311,971
Fines and fees	3,550,875	3,550,875	3,996,353	445,478
Rents and recoveries	1,728	1,728	1,728	
Investment earnings	104,500	104,500	225,528	121,028
Miscellaneous	239,500	239,500	125,467	(114,033)
Total revenues	<u>42,637,603</u>	<u>42,681,863</u>	<u>44,887,939</u>	<u>2,206,076</u>
EXPENDITURES				
Current				
General government	3,316,456	3,729,512	2,931,627	797,885
Financial	2,436,849	2,409,652	2,136,439	273,213
Judicial	6,802,462	7,612,702	7,491,298	121,404
Legal	2,860,731	2,828,292	2,777,271	51,021
Elections	363,334	374,640	371,907	2,733
Public facilities	1,849,238	1,835,301	1,100,052	735,249
Public safety	21,694,012	21,667,803	21,638,188	29,615
Road and bridge	3,000	3,000	410	2,590
Health and welfare	4,128,511	4,033,026	3,125,234	907,792
Conservation	589,781	606,262	576,292	29,970
Culture and recreation	96,670	118,144	28,095	90,049
Capital Outlay				
Capital outlay			<u>1,801,421</u>	<u>(1,801,421)</u>
Total expenditures	<u>44,141,044</u>	<u>45,218,334</u>	<u>43,978,234</u>	<u>1,240,100</u>
Excess revenues over expenditures	(1,503,441)	(2,536,471)	909,705	3,446,176
OTHER FINANCING SOURCES				
Transfers (out) in	1,503,441	2,536,471	(421,331)	(2,957,802)
Sale of property				
Total other financing sources (uses)	<u>1,503,441</u>	<u>2,536,471</u>	<u>(421,331)</u>	<u>(2,957,802)</u>
NET CHANGE IN FUND BALANCE			488,374	488,374
FUND BALANCE AT BEGINNING OF YEAR	<u>23,649,130</u>	<u>23,649,130</u>	<u>23,649,130</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 23,649,130</u>	<u>\$ 23,649,130</u>	<u>\$ 24,137,504</u>	<u>\$ 488,374</u>

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

Exhibit B-2

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 1,375,000	\$ 1,375,000	\$ 1,478,072	\$ 103,072
Other taxes			1,231,058	1,231,058
Licenses and permits	2,610,000	2,610,000	1,659,440	(950,560)
Intergovernmental and grants	212,266	214,745	-	(214,745)
Fines and fees			58,521	58,521
Investment earnings	4,000	4,000	3,434	(566)
Other revenue			2,783	2,783
Total revenues	<u>4,201,266</u>	<u>4,203,745</u>	<u>4,433,308</u>	<u>229,563</u>
EXPENDITURES				
Current				
Road and bridge	4,281,062	5,066,239	3,565,958	1,500,281
Capital outlay				
Capital outlay			674,678	(674,678)
Total expenditures	<u>4,281,062</u>	<u>5,066,239</u>	<u>4,240,636</u>	<u>825,603</u>
Excess revenues over expenditures	(79,796)	(862,494)	192,672	1,055,166
OTHER FINANCING SOURCES				
Transfers in	27,296	809,994		(809,994)
Sale of property			3,914	3,914
Total other financing sources (uses)	<u>27,296</u>	<u>809,994</u>	<u>3,914</u>	<u>(806,080)</u>
NET CHANGE IN FUND BALANCE	(52,500)	(52,500)	196,586	249,086
FUND BALANCE AT BEGINNING OF YEAR	<u>738,266</u>	<u>738,266</u>	<u>738,266</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 685,766</u>	<u>\$ 685,766</u>	<u>\$ 934,852</u>	<u>\$ 249,086</u>

TAYLOR COUNTY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
For Fiscal Year 2016

Exhibit B-3

	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability		
Service cost	\$ 2,602,761	\$ 2,529,603
Interest on total pension liability	8,064,473	7,629,311
Effect of plan changes	(403,314)	-
Effect of assumption changes or inputs	1,094,092	-
Effect of economic/demographic (gains) or losses	(681,221)	(693,909)
Benefit payments/refunds of contributions	(4,619,338)	(4,320,808)
Net change in total pension liability	<u>6,057,453</u>	<u>5,144,197</u>
Total pension liability, beginning	<u>100,211,385</u>	<u>95,067,188</u>
Total pension liability, ending (a)	<u>\$ 106,268,838</u>	<u>\$ 100,211,385</u>
Fiduciary Net Position		
Employer contributions	\$ 2,479,326	\$ 2,288,264
Member contributions	1,695,794	1,591,328
Investment income net of investment expenses	431,691	6,017,830
Benefit payments/refunds of contributions	(4,619,338)	(4,320,808)
Administrative expenses	(66,784)	(69,597)
Other	(195,479)	(309,813)
Net change in fiduciary net position	<u>(274,790)</u>	<u>5,197,204</u>
Fiduciary net position, beginning	<u>92,991,753</u>	<u>87,794,549</u>
Fiduciary net position, ending (b)	<u>\$ 92,716,963</u>	<u>\$ 92,991,753</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 13,551,875</u>	<u>\$ 7,219,632</u>
Fiduciary net position as a percentage of total pension liability	87.25%	92.80%
Pensionable covered payroll	\$ 24,225,635	\$ 22,733,251
Net pension liability as a percentage of covered payroll	55.94%	31.76%

TAYLOR COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2016

Exhibit B-4

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
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%
2015	2,458,902	2,479,326	(20,424)	24,225,635	10.2%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

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

TAYLOR COUNTY, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress, Postemployment Healthcare Benefits
 September 30, 2016

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
12/31/2015	\$ -	\$ 12,433,731	\$ 12,433,731	0.00%	\$ 20,428,115	60.9%
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%

Taylor County, Texas
Notes to Required Supplementary Information
September 30, 2016

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 2016 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 \$1,801,421 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

The Road and Bridge Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of \$809,994 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

Taylor County, Texas
Notes to Required Supplementary Information
September 30, 2016

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
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.9%, average, including inflation
Investment rate of return	8.00%, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

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, 2016

Exhibit C-1

	<u>Capital Projects Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 12,612	\$ 5,106,322	\$ 71,655	\$ 5,190,589
Interest receivable		1,655		1,655
Accounts receivable-net				
Property taxes			11,468	11,468
Other		19,622		19,622
Due from other funds		<u>3,153,385</u>		<u>3,153,385</u>
 Total assets	 <u>\$ 12,612</u>	 <u>\$ 8,280,984</u>	 <u>\$ 83,123</u>	 <u>\$ 8,376,719</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$ 138,584	\$	\$ 138,584
Due to other funds		<u>168,184</u>		<u>168,184</u>
 Total liabilities		 306,768		 306,768
 Deferred inflows of resources				
Unavailable revenue - property taxes			<u>11,468</u>	<u>11,468</u>
 Total deferred inflows of resources			 11,468	 11,468
 Fund balances				
Restricted for				
Debt service			71,655	71,655
Capital projects	12,612			12,612
Technology		180,170		180,170
Security		209,988		209,988
Enabling legislation		1,824,643		1,824,643
Law enforcement		736,396		736,396
Assigned for				
Road and bridge				
Other purposes		5,056,488		5,056,488
Unassigned		<u>(33,469)</u>		<u>(33,469)</u>
 Total fund balance	 <u>12,612</u>	 <u>7,974,216</u>	 <u>71,655</u>	 <u>8,058,483</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 12,612</u>	 <u>\$ 8,280,984</u>	 <u>\$ 83,123</u>	 <u>\$ 8,376,719</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended September 30, 2016

Exhibit C-2

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
REVENUES				
Taxes				
Property taxes	\$	\$	\$ 414,918	\$ 414,918
Intergovernmental and grants		1,094,725		1,094,725
Fines and fees		710,176		710,176
Investment earnings	41	28,074	474	28,589
Miscellaneous		594,516		594,516
Total revenues	41	2,427,491	415,392	2,842,924
EXPENDITURES				
Current				
General government		181,057		181,057
Financial		10,883		10,883
Judicial		611		611
Legal		190,612		190,612
Elections		72,757		72,757
Public safety		1,385,921		1,385,921
Road and bridge		6,165		6,165
Health and welfare		62,600		62,600
Debt Service				
Debt principal			630,000	630,000
Debt interest and agent fees			13,031	13,031
Capital outlay				
Capital outlay		102,413		102,413
Total expenditures	-	2,013,019	643,031	2,656,050
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41	414,472	(227,639)	186,874
OTHER FINANCING SOURCES (USES)				
Transfers in		45,955		45,955
Transfers out		(45,955)		(45,955)
Sale of property				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	41	414,472	(227,639)	186,874
FUND BALANCES AT BEGINNING OF YEAR	12,571	7,559,744	299,294	7,871,609
FUND BALANCES AT END OF YEAR	\$ 12,612	\$ 7,974,216	\$ 71,655	\$ 8,058,483

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2016

	<u>Settlement Proceeds</u>	<u>Errors and Omissions</u>	<u>County Clerk Restricted Fees</u>	<u>Dist Clerk's Restricted Fees</u>
ASSETS				
Cash and cash equivalents	\$ 361,198	\$ 874,288	\$ 320,362	\$ 306,178
Interest receivable				
Accounts receivable (net)		333	11,759	694
Due from other funds	<u>2,003,683</u>		<u>1,001,841</u>	
Total assets	<u>\$ 2,364,881</u>	<u>\$ 874,621</u>	<u>\$ 1,333,962</u>	<u>\$ 306,872</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$	\$ 25,042	\$
Due to other funds			<u>601</u>	
Total liabilities	-	-	25,643	-
Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation			1,308,319	306,872
Law enforcement				
Assigned for				
Road and bridge				
Other purposes	2,364,881	874,621		
Unassigned				
Total fund balance	<u>2,364,881</u>	<u>874,621</u>	<u>1,308,319</u>	<u>306,872</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,364,881</u>	<u>\$ 874,621</u>	<u>\$ 1,333,962</u>	<u>\$ 306,872</u>

<u>Commissioners Special NAR</u>	<u>VIT Escrow</u>	<u>Restricted Fees</u>	<u>District Attorney Special</u>	<u>D.A. Narcotic Forfeiture</u>	<u>D.A. Narcotic Seizure</u>	<u>Election Service Contract</u>	<u>Juvenile Jury Fund</u>
\$ 2,442	\$ 51,984 1,655	\$ 390,881 490	\$ 66,897	\$ 669,694	\$ 280,784	\$ 103,949	\$ 38,224
<u>\$ 2,442</u>	<u>\$ 53,639</u>	<u>\$ 391,371</u>	<u>\$ 66,897</u>	<u>\$ 669,694</u>	<u>\$ 280,784</u>	<u>\$ 103,949</u>	<u>\$ 38,224</u>
\$	\$	\$ 753 460	\$ 195	\$	\$	\$ 5,010 16	\$ 13,548
	-	1,213	195	-	-	5,026	13,548
		180,170 209,988					
			66,702	669,694			
2,442	53,639				280,784	98,923	24,676
<u>2,442</u>	<u>53,639</u>	<u>390,158</u>	<u>66,702</u>	<u>669,694</u>	<u>280,784</u>	<u>98,923</u>	<u>24,676</u>
<u>\$ 2,442</u>	<u>\$ 53,639</u>	<u>\$ 391,371</u>	<u>\$ 66,897</u>	<u>\$ 669,694</u>	<u>\$ 280,784</u>	<u>\$ 103,949</u>	<u>\$ 38,224</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2016

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
ASSETS				
Cash and cash equivalents	\$ 201,189	\$ 960,267	\$ 225,848	\$ 37,564
Interest receivable				
Accounts receivable (net)	210	6,136		
Due from other funds		147,861		
	<u>201,399</u>	<u>1,114,264</u>	<u>225,848</u>	<u>37,564</u>
Total assets	<u>\$ 201,399</u>	<u>\$ 1,114,264</u>	<u>\$ 225,848</u>	<u>\$ 37,564</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 69,959	\$ 14,522	\$ 4,434	\$
Due to other funds	164,909		2,198	
	<u>234,868</u>	<u>14,522</u>	<u>6,632</u>	<u>-</u>
Total liabilities	234,868	14,522	6,632	-
Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation				
Law enforcement				
Assigned for				
Road and bridge				
Other purposes		1,099,742	219,216	37,564
Unassigned	(33,469)			
	<u>(33,469)</u>	<u>1,099,742</u>	<u>219,216</u>	<u>37,564</u>
Total fund balance	<u>(33,469)</u>	<u>1,099,742</u>	<u>219,216</u>	<u>37,564</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 201,399</u>	<u>\$ 1,114,264</u>	<u>\$ 225,848</u>	<u>\$ 37,564</u>

<u>Sheriff Forfeiture</u>	<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 101,225	\$ 113,348	\$ 5,106,322
		1,655
		19,622
		<u>3,153,385</u>
<u>\$ 101,225</u>	<u>\$ 113,348</u>	<u>\$ 8,280,984</u>
\$ 5,121	\$	\$ 138,584
		<u>168,184</u>
5,121	-	306,768
		180,170
		209,988
96,104	113,348	1,824,643
		736,396
		5,056,488
		<u>(33,469)</u>
<u>96,104</u>	<u>113,348</u>	<u>7,974,216</u>
<u>\$ 101,225</u>	<u>\$ 113,348</u>	<u>\$ 8,280,984</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016

	<u>Settlement Proceeds</u>	<u>Errors and Omissions</u>	<u>County Clerk Restricted Fees</u>	<u>Dist Clerk's Restricted Fees</u>
REVENUES				
Intergovernmental and grants	\$	\$	\$	\$
Fines and fees			486,375	51,804
Investment earnings	8,759	2,877	5,295	
Other revenues	<u>60,076</u>	<u>21,075</u>	<u> </u>	<u> </u>
Total revenues	68,835	23,952	491,670	51,804
EXPENDITURES				
Current				
General government			181,057	
Financial				
Judicial		611		
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	62,600			
Capital outlay				
Capital outlay	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>62,600</u>	<u>611</u>	<u>181,057</u>	<u> </u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>6,235</u>	<u>23,341</u>	<u>310,613</u>	<u>51,804</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Sale of property				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,235	23,341	310,613	51,804
FUND BALANCES AT BEGINNING OF YEAR	<u>2,358,646</u>	<u>851,280</u>	<u>997,706</u>	<u>255,068</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,364,881</u>	<u>\$ 874,621</u>	<u>\$ 1,308,319</u>	<u>\$ 306,872</u>

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$	\$	\$	\$	\$	\$	\$	\$
		34,106	50,391			16,743	
5	1,848		210	2,312	852	63,470	128
					147,853	239	135
5	1,848	34,106	50,601	2,312	148,705	80,452	263
	10,883						
		27,911	41,695	70,655	50,351		
						72,757	3,270
	10,883	27,911	41,695	70,655	50,351	72,757	3,270
5	(9,035)	6,195	8,906	(68,343)	98,354	7,695	(3,007)
2,273				20,452	(45,955)		
2,273	-	-	-	20,452	(45,955)	-	-
2,278	(9,035)	6,195	8,906	(47,891)	52,399	7,695	(3,007)
164	62,674	383,963	57,796	717,585	228,385	91,228	27,683
\$ 2,442	\$ 53,639	\$ 390,158	\$ 66,702	\$ 669,694	\$ 280,784	\$ 98,923	\$ 24,676

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
REVENUES				
Intergovernmental and grants	\$ 1,008,895	\$ 28,427	\$	\$
Fines and fees		22,412		
Investment earnings	894	3,254	559	125
Other revenues			365,000	
Total revenues	1,009,789	54,093	365,559	125
EXPENDITURES				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	1,007,973	88,675	267,722	
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			102,413	
Total expenditures	1,007,973	88,675	370,135	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,816	(34,582)	(4,576)	125
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Sale of property				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	1,816	(34,582)	(4,576)	125
FUND BALANCES AT BEGINNING OF YEAR	(35,285)	1,134,324	223,792	37,439
FUND BALANCES AT END OF YEAR	\$ (33,469)	\$ 1,099,742	\$ 219,216	\$ 37,564

Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 6,234	\$ 34,426	\$ 1,094,725
1,618		710,176
331	386	28,074
377		594,516
<u>8,560</u>	<u>34,812</u>	<u>2,427,491</u>
		181,057
		10,883
		611
		190,612
		72,757
18,281		1,385,921
	6,165	6,165
		62,600
		<u>102,413</u>
<u>18,281</u>	<u>6,165</u>	<u>2,013,019</u>
<u>(9,721)</u>	<u>28,647</u>	<u>414,472</u>
23,230		45,955
		(45,955)
<u>23,230</u>	<u>-</u>	<u>-</u>
13,509	28,647	414,472
<u>82,595</u>	<u>84,701</u>	<u>7,559,744</u>
<u>\$ 96,104</u>	<u>\$ 113,348</u>	<u>\$ 7,974,216</u>

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Position
September 30, 2016

Exhibit C-5

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
ASSETS			
Cash and cash equivalents	\$ 245,112	\$ 643,320	\$ 888,432
Accounts receivable		44,232	44,232
Total assets	\$ 245,112	\$ 687,552	\$ 932,664
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts payable	\$ 68,974	\$ 65,809	\$ 134,783
Due to other funds		1,400,000	1,400,000
Total liabilities	68,974	1,465,809	1,534,783
Net position			
Unrestricted	176,138	(778,257)	(602,119)
Total net position	176,138	(778,257)	(602,119)
TOTAL LIABILITIES AND NET POSITION	\$ 245,112	\$ 687,552	\$ 932,664

TAYLOR COUNTY, TEXAS

Exhibit C-6

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2016

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$	\$ 5,259,204	\$ 5,259,204
Total operating revenues	-	5,259,204	5,259,204
OPERATING EXPENSES			
Contracted services		1,280,175	1,280,175
Claims	1,993,741	4,878,442	6,872,183
Total operating expenses	1,993,741	6,158,617	8,152,358
OPERATING INCOME/(LOSS)	(1,993,741)	(899,413)	(2,893,154)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,296	835	4,131
Settlement proceeds	180,844		180,844
Total nonoperating revenues (expenses)	184,140	835	184,975
Income before transfers	(1,809,601)	(898,578)	(2,708,179)
TRANSFERS			
Transfers in	50,000	700,000	750,000
Transfers out	(328,669)		(328,669)
Net transfers	(278,669)	700,000	421,331
CHANGE IN NET POSITION	(2,088,270)	(198,578)	(2,286,848)
NET POSITION AT BEGINNING OF YEAR	2,264,408	(579,679)	1,684,729
NET POSITION AT END OF YEAR	\$ 176,138	\$ (778,257)	\$ (602,119)

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2016

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		5,317,792	5,317,792
Cash payments for claims	(1,938,261)	(4,942,477)	(6,880,738)
Cash payments for insurance premiums		(1,280,175)	(1,280,175)
Net cash used in operating activities	<u>(1,900,650)</u>	<u>(904,860)</u>	<u>(2,805,510)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers, net	(278,669)	1,300,000	1,021,331
Settlement proceeds	180,844		180,844
Net cash (used in) provided by non-capital financing activities	<u>(97,825)</u>	<u>1,300,000</u>	<u>1,202,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	3,296	835	4,131
Net cash provided by investing activities	<u>3,296</u>	<u>835</u>	<u>4,131</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,995,179)	395,975	(1,599,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,240,291</u>	<u>247,345</u>	<u>2,487,636</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 245,112</u>	<u>\$ 643,320</u>	<u>\$ 888,432</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES			
Operating loss	\$ (1,993,741)	\$ (899,413)	\$ (2,893,154)
Net change in:			
Accounts receivable	37,611	58,588	96,199
Claims payable	55,480	(64,035)	(8,555)
Total adjustments	<u>93,091</u>	<u>(5,447)</u>	<u>87,644</u>
Net cash used in operating activities	<u>\$ (1,900,650)</u>	<u>\$ (904,860)</u>	<u>\$ (2,805,510)</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2016

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Appellate Judicial Fund	County Clerk
ASSETS:					
Cash and cash equivalents	\$ 229,432	\$ 5,381	\$ 81,871	\$ 1,001	\$ 101,318
Due from other funds	15,150				
Accounts receivable	14,959				
TOTAL ASSETS	<u>\$ 259,541</u>	<u>\$ 5,381</u>	<u>\$ 81,871</u>	<u>\$ 1,001</u>	<u>\$ 101,318</u>
LIABILITIES:					
Accounts payable	\$ 246,135	\$	\$	\$	\$
Due to other funds	14,152		15,150		
Due to others	(746)	5,381	66,721	1,001	101,318
TOTAL LIABILITIES	<u>\$ 259,541</u>	<u>\$ 5,381</u>	<u>\$ 81,871</u>	<u>\$ 1,001</u>	<u>\$ 101,318</u>

<u>Tax Assessor Collector</u>	<u>District Clerk</u>	<u>JP Precinct 1 Place 1</u>	<u>JP Precinct 1 Place 2</u>	<u>Inmate Fund</u>	<u>Jail Commissary Fund</u>	<u>Civil Fund</u>
\$ 634,506	\$ 417,123	\$ 6,026	\$ 5,277	\$ 20,329	\$ 46,388	\$ 356
<u>\$ 634,506</u>	<u>\$ 417,123</u>	<u>\$ 6,026</u>	<u>\$ 5,277</u>	<u>\$ 20,329</u>	<u>\$ 46,388</u>	<u>\$ 356</u>
\$	\$	\$	\$	\$	\$	\$
<u>634,506</u>	<u>417,123</u>	<u>6,026</u>	<u>5,277</u>	<u>20,329</u>	<u>46,388</u>	<u>356</u>
<u>\$ 634,506</u>	<u>\$ 417,123</u>	<u>\$ 6,026</u>	<u>\$ 5,277</u>	<u>\$ 20,329</u>	<u>\$ 46,388</u>	<u>\$ 356</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2016

	<u>Community Corrections Fund</u>	<u>Restitution Center Fund</u>	<u>Tax Assessor Sales Tax</u>	<u>Tax Assessor Escrow</u>	<u>Employee Service Fund</u>
ASSETS:					
Cash and cash equivalents	\$ 1,280,542	\$	\$ 263	\$ 771,938	\$ 9,272
Due from other funds					
Accounts receivable					
TOTAL ASSETS	<u>\$ 1,280,542</u>	<u>\$</u>	<u>\$ 263</u>	<u>\$ 771,938</u>	<u>\$ 9,272</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>1,280,542</u>		<u>263</u>	<u>771,938</u>	<u>9,272</u>
TOTAL LIABILITIES	<u>\$ 1,280,542</u>	<u>\$</u>	<u>\$ 263</u>	<u>\$ 771,938</u>	<u>\$ 9,272</u>

<u>County Clerk Bail Bonds</u>	<u>District Clerk Registry Fund</u>	<u>District Attorney Escrow</u>	<u>Local Emergency Planning</u>	<u>JP 3 Fund</u>	<u>Total Agency Funds</u>
\$ 507,408	\$ 523,879	\$ 34,462	\$ 1,771	\$ 740	\$ 4,679,283
					15,150
					14,959
<u>\$ 507,408</u>	<u>\$ 523,879</u>	<u>\$ 34,462</u>	<u>\$ 1,771</u>	<u>\$ 740</u>	<u>\$ 4,709,392</u>
\$	\$	\$	\$	\$	\$ 246,135
					29,302
<u>507,408</u>	<u>523,879</u>	<u>34,462</u>	<u>1,771</u>	<u>740</u>	<u>4,433,955</u>
<u>\$ 507,408</u>	<u>\$ 523,879</u>	<u>\$ 34,462</u>	<u>\$ 1,771</u>	<u>\$ 740</u>	<u>\$ 4,709,392</u>

GOVERNMENTAL REPORTING SECTION

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, 2016, 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 27, 2017.

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.

Dennis Kinard & Co., PC

Certified Public Accountants

Abilene, Texas
March 27, 2017