



# **TAYLOR COUNTY, TEXAS**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
together with  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

TAYLOR COUNTY, TEXAS  
Annual Financial Report  
Year Ended September 30, 2017

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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, 2017, 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, 2017, 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, the schedule of employer contributions, and the schedule of funding progress – postemployment healthcare benefits on pages 3-10 and 45-51 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 22, 2018, 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 solely 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 the effectiveness of the County's 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.



Abilene, Texas  
March 22, 2018

# 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, 2017. Please read it in conjunction with the County's financial statements.

### FINANCIAL HIGHLIGHTS

- Taylor County's total combined net position was \$56.7 million at September 30, 2017. This represents a decrease of \$5.3 million from September 30, 2016. Of this amount, \$19.4 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$5.3 million more than the \$56.4 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$23.4 million; all but \$77,385 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 \$56.7 million at September 30, 2017. The largest portion of the County's net position (61%) 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.

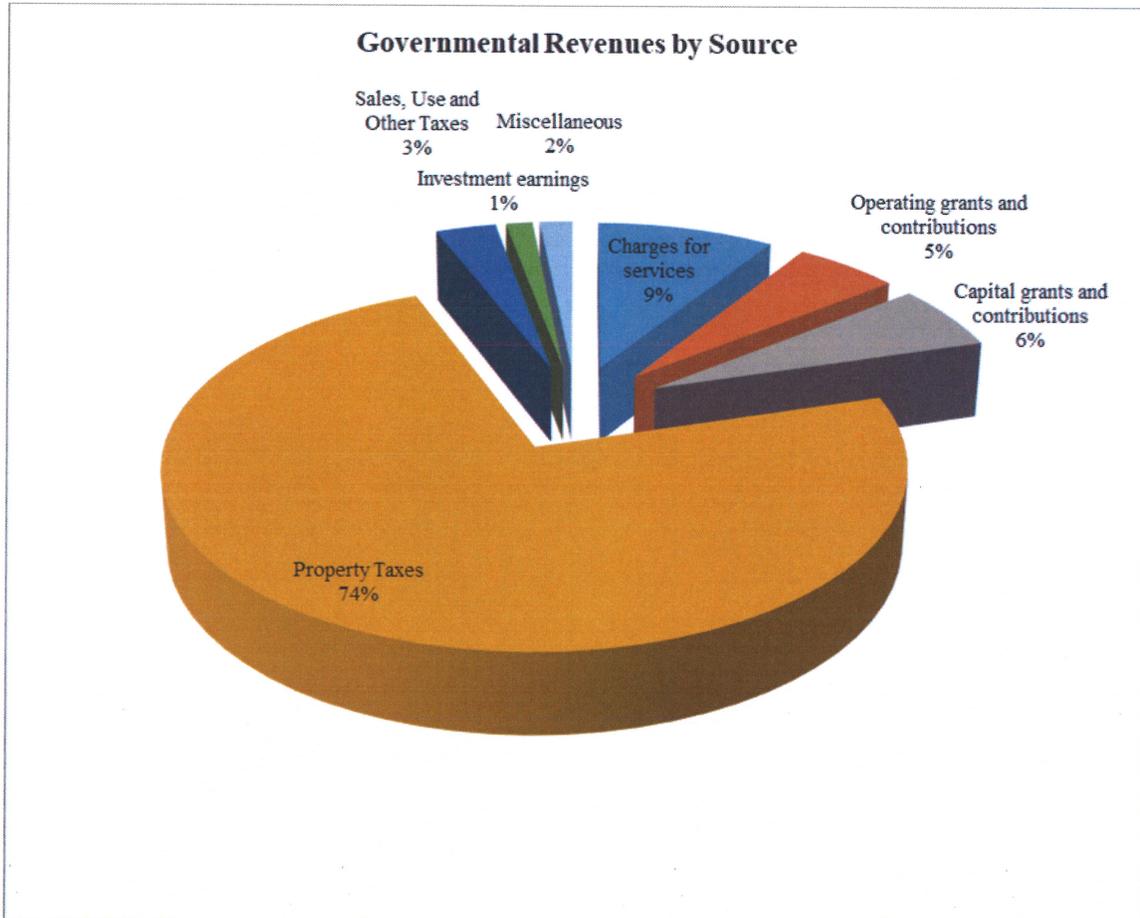
	Governmental Activities	
	September 30, 2017	September 30, 2016
Current and Other Assets	\$ 95,715,825	\$ 44,057,655
Capital Assets	37,954,565	35,235,221
Total Assets	<u>133,670,390</u>	<u>79,292,876</u>
Deferred Outflows of Resources	7,588,783	8,892,593
Current Liabilities	6,905,893	4,313,258
Long Term Liabilities	76,870,077	20,921,712
Total Liabilities	<u>83,775,970</u>	<u>25,234,970</u>
Deferred Inflows of Resources	765,022	927,261
Net Position		
Net Investment in Capital Assets	34,488,203	35,247,833
Restricted	2,826,652	3,034,320
Unrestricted	19,403,326	23,741,085
<b>Total Net Position</b>	<u>\$ 56,718,181</u>	<u>\$ 62,023,238</u>

**Changes in Net Position**—Taylor County’s net position decreased by approximately \$5.3 million during the current fiscal year.

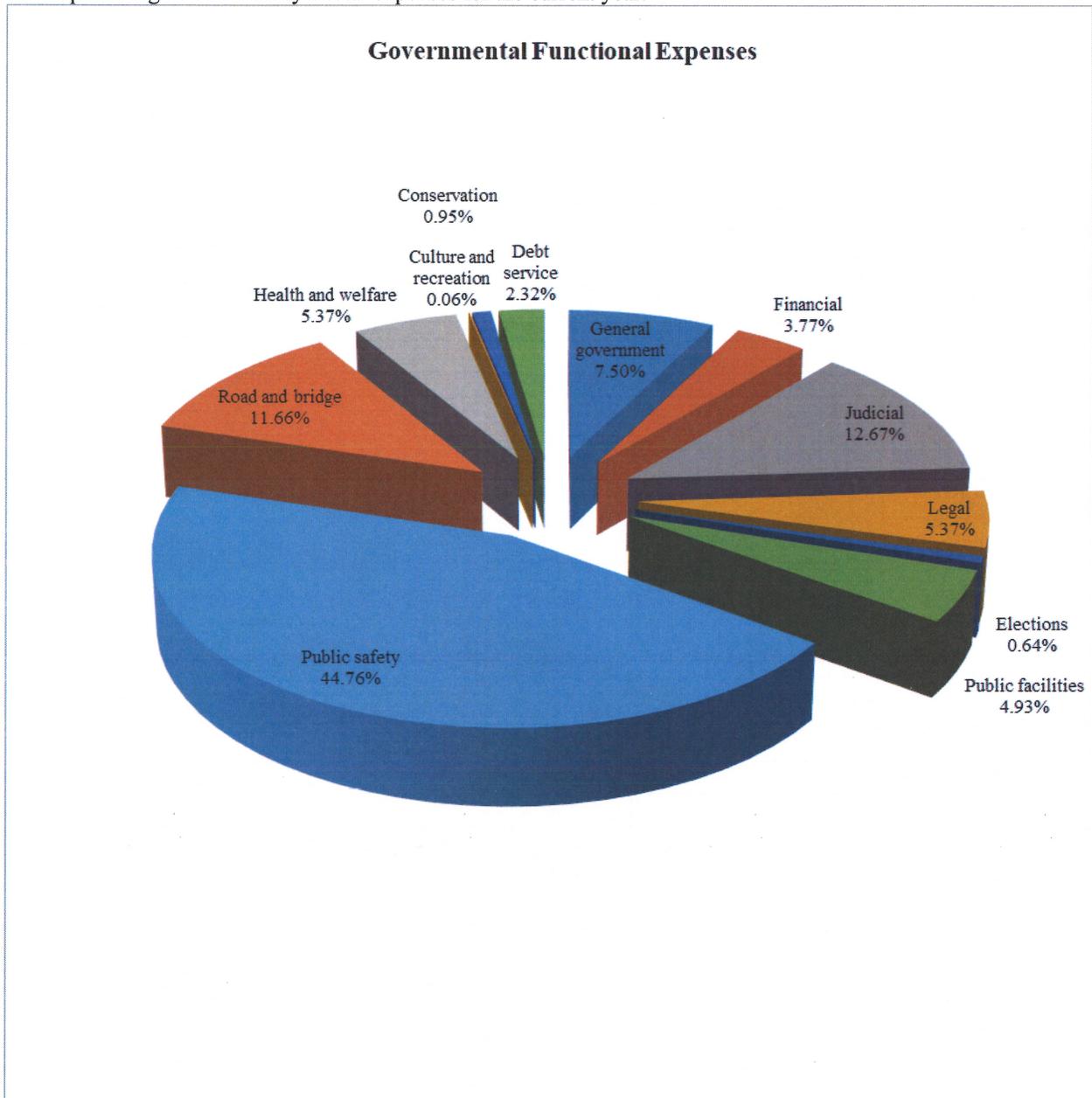
	Governmental Activities	
	Fiscal Year	Fiscal Year
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 5,076,745	\$ 7,154,931
Operating Grants and Contributions	3,010,531	3,084,756
Capital Grants and Contributions	3,373,460	-
General Revenues:		
Property Taxes	41,538,784	39,372,073
Sales and Use and Other Taxes	1,738,668	1,745,346
Investment Earnings	762,077	271,082
Miscellaneous Revenue	705,192	622,255
Settlement Proceeds	96,000	180,844
Gain on Sale of Assets	126,299	-
Total Revenues	<u>56,427,756</u>	<u>52,431,287</u>
Expenses:		
General Government	4,632,788	3,483,722
Financial Administration	2,325,014	2,352,117
Judicial	7,822,943	7,983,179
Legal	3,314,118	3,267,784
Elections	392,946	480,731
Public Facilities	3,043,942	2,658,615
Public Safety	27,629,494	26,704,654
Road and Bridge	7,200,396	7,077,415
Health and Welfare	3,315,348	3,340,351
Conservation	586,595	648,388
Culture and Recreation	36,770	28,095
Interest on Long-Term Debt	918,253	9,811
Other Debt Service Cost	514,206	-
Total Expenses	<u>61,732,813</u>	<u>58,034,862</u>
Change in Net Position	(5,305,057)	(5,603,575)
Beginning Net Position	62,023,238	67,626,813
Ending Net Position	<u>\$ 56,718,181</u>	<u>\$ 62,023,238</u>

**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2017 were \$56.4 million. Approximately 77% of the County’s revenue comes from taxes, with over 74% from property taxes alone. Property tax revenue increased 8% due to an increase in the tax base and tax rate.

Expenditures increased by \$3.7 million from the prior year, due to the net effect of increases in public safety, general government cost and the cost associated with the new bond issuance.



The total cost for all programs and services totaled \$61.7 million for the year ended September 30, 2017. Of this amount, the largest operating services areas were public safety which totaled \$27.6 million or 45% of total expenses for the year, and road and bridge services which totaled \$7.2 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 (13%) and general government (8%) 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 \$86.2 million, an increase of \$50,763,765 or 143% in comparison with the prior year. Approximately 27% of this total amount (\$23.3 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 (\$10.9 million), 2) retirement of bonded indebtedness (\$80 thousand), and 3) authorized construction (\$13 thousand) 4) authorized construction under bond issuance (51.8 million).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$23.4 million. Approximately \$23.3 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 50% of total General Fund expenditures.

Taylor County's General Fund balance decreased by \$771 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 \$1.7 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$365 thousand less than the final budgeted amount. The revenue decreases were primarily from decreased transfers into other County funds from the general fund to cover operational deficiencies.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of September 30, 2017, the County had invested \$37.9 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$2.7 million, or 7.7% over last year.

Major events affecting capital assets during the year were:

- Start of construction on Expo Center additions approved through the 2017 bond issuance.
- 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
	2017	2016	
Land	\$ 2,073,314	\$ 1,995,604	3.89%
Construction in Progress	3,555,721	556,115	539.39%
Buildings and Improvements	75,900,717	72,078,252	5.30%
Furniture and Equipment	7,791,306	6,306,659	23.54%
Vehicles and Heavy Equipment	11,910,956	11,703,034	1.78%
Infrastructure	70,512,665	70,512,665	0.00%
Total	<u>171,744,679</u>	<u>163,152,329</u>	<u>5.27%</u>
Total Accumulated Depreciation	<u>(133,790,114)</u>	<u>(127,917,108)</u>	<u>4.59%</u>
Net Capital Assets	<u>\$ 37,954,565</u>	<u>\$ 35,235,221</u>	<u>7.72%</u>

**Long-Term Debt** — At the end of the year, the County had \$76.9 million of long-term obligations.

	Governmental Activities		Percent Change
	2017	2016	
Bonds Payable	\$ 48,320,000	\$ -	100%
Premium on Bonds Payable	6,990,914	-	100%
Compensated Absences	788,101	1,052,870	-25%
Net OPEB Obligation	7,361,893	6,316,967	17%
Net Pension Liability	13,409,169	13,551,875	-1%
Total	\$ 76,870,077	\$ 20,921,712	267%

During the year, Taylor County’s long-term obligations increased by \$55.9 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 \$1.83 billion, which is significantly higher than the County’s outstanding general obligation debt.

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

#### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The net taxable appraised value used for the 2018 budget preparation is estimated to be up \$359 million, or 4.5% from 2017. Total values for Taylor County, without adjustments, were up 5.7%.
- The combined tax rate established for 2018 is \$.6031, an increase of \$.0681 from 2017. This increase is mainly driven by debt service on the bond passed in 2017.
- Taylor County’s unemployment rate is currently 3.4%, compared to 4.0 % in 2017. The State unemployment rate in December 2017 was 4.2%.
- 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 2018 fiscal year.

Amounts available for appropriation in the General Fund budget are \$49,001,976, an increase of 6.8% over the 2017 budget of \$45,847,554. 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 3.6% to \$49,369,468. The largest increments are increases in the function of law enforcement and corrections, and legal expense related to higher CPS caseloads and methamphetamine cases. The County has added no major new programs or initiatives to the 2018 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, 2017

Exhibit A-1

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 27,421,701
Investments	10,733,005
Receivables (net of allowance for uncollectibles)	
Taxes	439,628
Other	3,547,829
Due from agency funds	12,643
Prepaid expenses	165,721
Inventories	2,149
Restricted Assets:	
Restricted cash and cash equivalents	43,378,724
Restricted investments	10,014,425
Capital Assets	
Land	2,073,314
Construction in progress	3,555,721
Infrastructure, net	2,260,742
Buildings and improvements, net	23,332,005
Vehicles and heavy equipment, net	2,536,048
Furniture and equipment, net	4,196,735
Total assets	133,670,390
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	7,588,783
<b>LIABILITIES:</b>	
Accounts payable and other current liabilities	3,073,591
Accrued interest payable	1,147,463
Payroll liabilities	1,538,151
Due to other governments	1,146,688
Noncurrent liabilities	
Due within one year	483,815
Due in more than one year	76,386,262
Total liabilities	83,775,970
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	765,022
<b>NET POSITION:</b>	
Net investment in capital assets	34,488,203
Restricted for	
Debt service	79,951
Technology	186,766
Security	206,753
Enabling legislation	1,615,181
Law enforcement	738,001
Unrestricted	19,403,326
Total net position	\$ 56,718,181

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

TAYLOR COUNTY, TEXAS  
Statement of Activities  
For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
General government	\$ 4,632,788	\$ 1,800,200	\$ 580,047	\$
Financial	2,325,014	402,247		
Judicial	7,822,943	1,084,243		
Legal	3,314,118	33,577	82,619	
Elections	392,946	35,797		
Public facilities	3,043,942	17,715		3,373,460
Public safety	27,629,494	359,547	2,257,883	
Road and bridge	7,200,396	1,298,247	67,828	
Health and welfare	3,315,348		22,154	
Conservation	586,595	45,173		
Culture and recreation	36,770			
Interest and fees on long-term debt	918,253			
Other debt service cost	514,206			
Total governmental activities	<u>61,732,813</u>	<u>5,076,745</u>	<u>3,010,531</u>	<u>3,373,460</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 61,732,813</u>	<u>\$ 5,076,745</u>	<u>\$ 3,010,531</u>	<u>\$ 3,373,460</u>

General Revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for debt purposes
- Other taxes
- Gain on sale of assets
- 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
\$ (2,252,541)	\$ (2,252,541)
(1,922,767)	(1,922,767)
(6,738,700)	(6,738,700)
(3,197,922)	(3,197,922)
(357,149)	(357,149)
347,233	347,233
(25,012,064)	(25,012,064)
(5,834,321)	(5,834,321)
(3,293,194)	(3,293,194)
(541,422)	(541,422)
(36,770)	(36,770)
(918,253)	(918,253)
(514,206)	(514,206)
<u>(50,272,077)</u>	<u>(50,272,077)</u>
<u>(50,272,077)</u>	<u>(50,272,077)</u>
41,537,056	41,537,056
1,728	1,728
1,738,668	1,738,668
126,299	126,299
705,192	705,192
762,077	762,077
96,000	96,000
<u>44,967,020</u>	<u>44,967,020</u>
(5,305,057)	(5,305,057)
<u>62,023,238</u>	<u>62,023,238</u>
<u>\$ 56,718,181</u>	<u>\$ 56,718,181</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2017

	General Fund	Contingency Fund	Road and Bridge Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,172,467	\$ 1,517,452	\$ 1,858,827
Investments	7,729,871		
Receivables (net of allowances for uncollectibles)			
Property taxes	417,493		16,623
Other	556,680		56,846
Fines and fees	2,744,687		
Due from other funds	72,871		
Due from internal service funds	350,000		
Due from agency funds	12,643		
Inventories	2,149		
Prepaid items	75,236		
Restricted Assets:			
Restricted cash and cash equivalents			
Restricted investments			
Total assets	<u>\$ 30,134,097</u>	<u>\$ 1,517,452</u>	<u>\$ 1,932,296</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 920,562	\$	\$ 258,949
Payroll liabilities	1,538,151		
Due to other funds			1,206
Due to other governments	1,146,688		
Total liabilities	<u>3,605,401</u>		<u>260,155</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	417,493		16,623
Unavailable revenue - fines and fees	2,744,687		
Total deferred inflows of resources	<u>3,162,180</u>	-	<u>16,623</u>
Fund balances:			
Nonspendable			
Prepaid items and inventories	77,385		
Restricted for			
Debt service			
Capital projects			
Technology			
Security			
Enabling legislation			
Law enforcement			
Assigned for			
Road and bridge			1,655,518
Contingencies		1,517,452	
Other purposes			
Unassigned	23,289,131		
Total fund balances	<u>23,366,516</u>	<u>1,517,452</u>	<u>1,655,518</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,134,097</u>	<u>\$ 1,517,452</u>	<u>\$ 1,932,296</u>

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

Expo Center Capital Project Funds	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	5,002,026	26,550,772
	3,003,134	10,733,005
	5,512	439,628
	43,297	656,823
		2,744,687
	203,530	276,401
		350,000
		12,643
		2,149
		75,236
43,378,724		43,378,724
10,014,425		10,014,425
<u>\$ 53,393,149</u>	<u>\$ 8,257,499</u>	<u>\$ 95,234,493</u>
\$	\$	\$
1,561,309	163,645	2,904,465
		1,538,151
	275,195	276,401
		1,146,688
<u>1,561,309</u>	<u>438,840</u>	<u>5,865,705</u>
	5,512	439,628
		2,744,687
	<u>5,512</u>	<u>3,184,315</u>
		77,385
	79,951	79,951
51,831,840	12,712	51,844,552
	186,766	186,766
	206,753	206,753
	1,615,181	1,615,181
	738,001	738,001
		1,655,518
		1,517,452
	4,986,818	4,986,818
	(13,035)	23,276,096
<u>51,831,840</u>	<u>7,813,147</u>	<u>86,184,473</u>
<u>\$ 53,393,149</u>	<u>\$ 8,257,499</u>	<u>\$ 95,234,493</u>

TAYLOR COUNTY, TEXAS  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
September 30, 2017

Exhibit A-4

Total Fund Balance-Governmental Funds	\$	86,184,473
<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 increase net position.</p>		
		588,607
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 171,744,679	
Accumulated depreciation	<u>(133,790,114)</u>	37,954,565
<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	\$ (7,361,893)	
Bonds payable	(48,320,000)	
Premium on bonds payable	(6,990,914)	
Accrued interest payable	(1,147,463)	
Compensated absences	(788,101)	
Net pension liability	<u>(13,409,169)</u>	(78,017,540)
<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	\$ (765,022)	
Deferred outflow of resources	<u>7,588,783</u>	6,823,761
<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	\$ 2,744,687	
Unavailable revenue - property taxes	<u>439,628</u>	<u>3,184,315</u>
Net Position of Governmental Activities-Statement of Net Position	\$	<u><u>56,718,181</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, 2017

	General Fund	Contingency Fund	Road and Bridge Fund
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 39,993,755	\$	\$ 1,536,617
Other taxes	529,745		1,208,923
License and permits	624,726		1,617,100
Intergovernmental and grants	1,883,576		
Fines and fees	3,827,801		56,777
Rents and recoveries	1,735		
Investment earnings	295,489	13,344	12,427
Miscellaneous	82,963		179,715
Total revenues	<u>47,239,790</u>	<u>13,344</u>	<u>4,611,559</u>
<b>EXPENDITURES</b>			
Current			
General government	3,815,753		
Financial	2,207,559		
Judicial	7,496,484		
Legal	2,936,736		
Elections	350,786		
Public facilities	1,168,566	387,801	
Public safety	23,429,938		
Road and bridge	405		3,775,572
Health and welfare	3,212,263		
Conservation	552,087		
Culture and Recreation	36,770		
Debt Service			
Debt issuance cost			
Capital Outlay			
Capital outlay	1,184,951	516,440	247,241
Total expenditures	<u>46,392,298</u>	<u>904,241</u>	<u>4,022,813</u>
Excess revenues over expenditures	847,492	(890,897)	588,746
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		118,480	
Transfers out	(1,618,480)		
Issuance of bonds at par			
Premium on issuance of bonds			
Sale of property			131,920
Total other financing sources (uses)	<u>(1,618,480)</u>	<u>118,480</u>	<u>131,920</u>
NET CHANGE IN FUND BALANCE	(770,988)	(772,417)	720,666
FUND BALANCE AT BEGINNING OF YEAR	<u>24,137,504</u>	<u>2,289,869</u>	<u>934,852</u>
FUND BALANCE AT END OF YEAR	<u>\$ 23,366,516</u>	<u>\$ 1,517,452</u>	<u>\$ 1,655,518</u>

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

Expo Center Capital Project Funds	Other Governmental Funds	Total Governmental Funds
\$	\$ 7,684	\$ 41,538,056
		1,738,668
		2,241,826
	1,126,955	3,010,531
	690,826	4,575,404
		1,735
361,643	74,587	757,490
	442,514	705,192
<u>361,643</u>	<u>2,342,566</u>	<u>54,568,902</u>
	766,204	4,581,957
	365	2,207,924
	30,086	7,526,570
	180,144	3,116,880
	23,113	373,899
		1,556,367
	1,369,046	24,798,984
	54,174	3,830,151
	44,417	3,256,680
		552,087
		36,770
514,206		514,206
<u>3,555,721</u>	<u>120,353</u>	<u>5,624,706</u>
<u>4,069,927</u>	<u>2,587,902</u>	<u>57,977,181</u>
(3,708,284)	(245,336)	(3,408,279)
	65,214	183,694
	(65,214)	(1,683,694)
48,320,000		48,320,000
7,220,124		7,220,124
		131,920
<u>55,540,124</u>	<u>-</u>	<u>54,172,044</u>
51,831,840	(245,336)	50,763,765
<u>-</u>	<u>8,058,483</u>	<u>35,420,708</u>
<u>\$ 51,831,840</u>	<u>\$ 7,813,147</u>	<u>\$ 86,184,473</u>

TAYLOR COUNTY, TEXAS

Exhibit A-6

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2017

Net Change in Fund Balances -Total Governmental Funds		\$ 50,763,765
<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 increase net position.</p>		
		1,190,726
<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	\$ 5,685,705	5,685,705
<p>Assets donated to governmental funds by private parties are not recorded in the governmental fund financial statements whereas in the government-wide financial statements are recorded as capital contributions.</p>		
		3,373,460
<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>		
		(6,334,200)
<p>Proceeds from issuance of bonds payable, including premiums received on issuance, are reported as other financing sources in the fund financial statements but are shown as long term liabilities in the government-wide financial statements.</p>		
		(55,540,124)
<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>		
Change in contributions made after measurement date	\$ 128,560	
Pension expense	<u>(1,127,425)</u>	(998,865)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Decrease in office fines and fees receivable	\$ (1,742,221)	
Increase in unavailable tax revenues	728	
Increase in bond interest payable	(1,147,463)	
Increase in Other Postemployment Benefit Obligation	(1,044,926)	
Net book value of assets retired	(5,621)	
Amortization of bond premium	229,210	
Decrease in compensated absences	<u>264,769</u>	<u>(3,445,524)</u>
Change in Net Position of Governmental Activities-Statement of Activities		<u>\$ (5,305,057)</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, 2017

Exhibit A-7

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 870,929
Accounts receivable	146,319
Prepaid expenses	90,485
Total current assets	\$ 1,107,733
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities	
Accounts payable	\$ 169,126
Due to other funds	350,000
Total current liabilities	519,126
Net position	
Unrestricted	588,607
Total net position	588,607
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,107,733</b>

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, 2017

Exhibit A-8

	<u>Governmental Activities Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 5,748,179
Total operating revenues	5,748,179
OPERATING EXPENSES	
Contract services	1,435,468
Claims	4,722,572
Total operating expenses	6,158,040
OPERATING LOSS	(409,861)
NONOPERATING REVENUES	
Investment earnings	4,587
Settlement proceeds	96,000
Total nonoperating revenues (expenses)	100,587
Loss before transfers	(309,274)
TRANSFERS	
Transfers in	1,500,000
Net transfers	1,500,000
CHANGE IN NET POSITION	1,190,726
NET POSITION AT BEGINNING OF YEAR	(602,119)
NET POSITION AT END OF YEAR	\$ 588,607

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, 2017

Exhibit A-9

	Governmental Activities
	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from interfund services provided	\$ 5,646,092
Cash payments for claims	(4,778,714)
Cash payments for insurance premiums	(1,435,468)
Net cash used in operating activities	(568,090)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	450,000
Settlement proceeds	96,000
Net cash provided by non-capital financing activities	546,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	4,587
Net cash provided by investing activities	4,587
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(17,503)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	888,432
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 870,929
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (409,861)
Net change in:	
Accounts receivable	(102,087)
Prepaid expenses	(90,485)
Claims payable	34,343
Total adjustments	(158,229)
Net cash used in operating activities	\$ (568,090)

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, 2017

Exhibit A-10

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	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 5,824,391
Due from other funds	12,945
Accounts receivable	<u>18,828</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>5,856,164</u></b>
<b>LIABILITIES:</b>	
Accounts payable	\$ 238,234
Due to other funds	25,588
Due to others	<u>5,592,342</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>5,856,164</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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 criteria for including organizations as component units within the County's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporation powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 1: Summary of Significant Accounting Policies, continued**

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

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.

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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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.

Expo Center Capital Projects Fund – The Expo Center Capital Projects Fund accounts for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions, specifically relating to the Expo Center.

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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Fair Value Measurements

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.

**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, 2017

**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, 2017, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	Fair Value	Maturity	Credit Quality Rating
TexPool	\$ 56,272,470	< 60 days - Weighted Avg.	AAAm
TexTerm	13,017,559	< 60 days - Weighted Avg.	AAAm
Total Cash in First Financial Bank	14,527,955		N/A
Certificates of deposit	3,473,422	1 - 5 years	N/A
	\$ 87,291,406		

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, 2017:

Assets at Fair Value as of September 30, 2017				
	Level 1	Level 2	Level 3	Total
Municipal bond	\$	2,512,129	\$	2,512,129
U.S. Government Backed Securities		1,744,320		1,744,320
	\$ -	\$ 4,256,449	\$ -	\$ 4,256,449

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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, 2017 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, 2017

**NOTE 3: Deposits and Investments, continued**

*B. Investment Accounting Policy, continued*

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

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

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

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

**NOTE 4: Receivables**

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

	<u>Property Taxes</u>	<u>Other Receivables</u>	<u>Fines and Fees</u>	<u>Total Receivables</u>
Governmental Funds				
General Fund	\$ 417,493	\$ 556,680	\$ 2,744,687	\$ 3,718,860
Road and Bridge Fund	16,623	56,846		73,469
Non-major				
Governmental Funds	<u>5,512</u>	<u>43,297</u>		<u>48,809</u>
Total-Governmental Funds	<u>\$ 439,628</u>	<u>\$ 656,823</u>	<u>\$ 2,744,687</u>	<u>\$ 3,841,138</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ (439,628)</u>	<u>\$ -</u>	<u>\$ (2,744,687)</u>	<u>\$ (3,184,315)</u>
Internal Service Funds	<u>\$ -</u>	<u>\$ 146,319</u>	<u>\$ -</u>	<u>\$ 146,319</u>
Total-Internal Service Funds	<u>\$ -</u>	<u>\$ 146,319</u>	<u>\$ -</u>	<u>\$ 146,319</u>

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 5: Capital Assets**

Capital asset activity for the period ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
<b>Governmental Activities</b>				
Non-depreciable Assets				
Land	\$ 1,995,604	\$ 77,710	\$	\$ 2,073,314
Construction in progress	556,115	3,699,707	700,101	3,555,721
Total Non-depreciable Assets	<u>2,551,719</u>	<u>3,777,417</u>	<u>700,101</u>	<u>5,629,035</u>
Depreciable Assets				
Buildings and Improvements				
Improvements	72,078,252	3,822,465		75,900,717
Furniture and Equipment	6,306,659	1,495,528	10,881	7,791,306
Vehicles and Heavy Equipment				
Equipment	11,703,034	663,856	455,934	11,910,956
Infrastructure	70,512,665			70,512,665
Total Depreciable Assets	<u>160,600,610</u>	<u>5,981,849</u>	<u>466,815</u>	<u>166,115,644</u>
Total at Historic Cost	<u>163,152,329</u>	<u>9,759,266</u>	<u>1,166,916</u>	<u>171,744,679</u>
Less Accumulated Depreciation:				
Buildings and Improvements				
Buildings and Improvements	50,183,840	2,384,872		52,568,712
Furniture and Equipment				
Furniture and Equipment	3,249,057	356,395	10,881	3,594,571
Vehicles and Heavy Equipment				
Equipment	8,904,511	920,710	450,313	9,374,908
Infrastructure	65,579,700	2,672,223		68,251,923
Total Accumulated Depreciation	<u>127,917,108</u>	<u>6,334,200</u>	<u>461,194</u>	<u>133,790,114</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,235,221</u>	<u>\$ 3,425,066</u>	<u>\$ 705,722</u>	<u>\$ 37,954,565</u>

Depreciation was charged to functions as follows:

General Administration	\$ 189,211
Financial	4,865
Judicial	10,074
Elections	3,143
Public Safety	1,383,871
Public Facilities	1,466,450
Road and Bridge	3,268,782
Health and Welfare	4,296
Conservation	3,508
	<u>\$ 6,334,200</u>

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 6: Interfund Balances and Activity**

*A. Due To and From Other Funds*

Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due to Nonmajor Special Revenue Funds from	
Road and bridge fund	\$ 1,206
Nonmajor Special Revenue Funds	<u>202,324</u>
Due from Other Funds	<u><u>203,530</u></u>
Due to General Fund from	
Nonmajor Special Revenue Funds	\$ <u>72,871</u>
Due from Other Funds	<u><u>72,871</u></u>
Due to General Fund from:	
Agency Funds	\$ <u><u>12,643</u></u>
Due to General Fund from:	
Internal Service Funds	\$ <u><u>350,000</u></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, 2017, consisted of the following:

Transfers from General Fund to:	
Internal Service Funds	\$ 1,500,000
Contingency Fund	<u>118,480</u>
	<u><u>1,618,480</u></u>
Transfers from Nonmajor Special Revenue Funds to:	
Nonmajor Special Revenue Funds	\$ <u>65,214</u>
	<u><u>65,214</u></u>

Transfers from the general fund provide additional funding for special projects and support for internal service functions. Transfers from nonmajor special revenue funds were to release forfeited assets as directed under final judgement to appropriate agencies and departments.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 7: Long-Term Obligations**

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

*A. Bonds*

On January 24, 2017, the County issued \$48,320,000 in Limited Tax Obligation Bonds, Series 2017 to fund the construction for the Taylor County Coliseum and Fair Grounds (Expo Center). Interest is due semi-annually at 5%. The bonds mature serially through 2039.

The following table summarizes the annual debt requirements of the outstanding bond issues at September 30, 2017, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2018	\$ 140,000	\$ 3,566,811	\$ 3,706,811
2019	1,330,000	2,375,750	3,705,750
2020	1,400,000	2,307,500	3,707,500
2021	1,470,000	2,235,750	3,705,750
2022	1,545,000	2,160,375	3,705,375
2023-2027	8,995,000	9,529,375	18,524,375
2028-2032	11,550,000	6,974,000	18,524,000
2033-2037	14,835,000	3,691,875	18,526,875
2038-2039	7,055,000	357,125	7,412,125
Total	<u>\$ 48,320,000</u>	<u>\$ 33,198,561</u>	<u>\$ 81,518,561</u>

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, 2017, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds, Loans and Leases Payable</b>					
General Obligation Bonds	\$ -	\$ 48,320,000	\$ -	\$ 48,320,000	\$ 140,000
	-	48,320,000	-	48,320,000	140,000
<b>Other Liabilities</b>					
Premium on Bonds Payable	-	7,220,124	229,210	6,990,914	343,815
Compensated Absences	1,052,870		264,769	788,101	
Net OPEB Obligation	6,316,967	1,044,926		7,361,893	
Net Pension Liability	13,551,875		142,706	13,409,169	
Total Other Liabilities	<u>20,921,712</u>	<u>8,265,050</u>	<u>636,685</u>	<u>28,550,077</u>	<u>343,815</u>
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 20,921,712</u>	<u>\$ 56,585,050</u>	<u>\$ 636,685</u>	<u>\$ 76,870,077</u>	<u>\$ 483,815</u>

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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, 2017, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$788,101.

**NOTE 9: Deferred Outflows and Inflows of Resources**

Deferred inflows of resources in the government funds balance sheet at September 30, 2017 consisted of the following:

	General Fund	Road and Bridge Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 417,493	\$ 16,623	\$ 5,512	\$ 439,628
Net Fines and Fees	2,744,687			2,744,687
<b>Total</b>	<b>\$ 3,162,180</b>	<b>\$ 16,623</b>	<b>\$ 5,512</b>	<b>\$ 3,184,315</b>

Adjustments required for government-wide Statement of Net Position decreased unavailable revenue by \$4,827,563.

Deferred outflows and inflows of resources in the government-wide Statement of Net Position at September 30, 2017 consisted of the following:

Deferred Outflows - Pension	\$	7,588,783
<b>Total</b>		<b>7,588,783</b>
Deferred Inflows - Pension	\$	765,022
<b>Total</b>		<b>765,022</b>

**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 \$15,488, \$2,027,956, and \$94,178, for liability claims during the years ended September 30, 2017, 2016, and 2015, respectively. There were no unpaid claims at September 30, 2017.

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.

Taylor County, Texas  
Notes to Financial Statements  
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**NOTE 10: Risk Management, continued**

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 \$4,707,084, \$4,878,442, and \$4,270,905, in health claims, and paid \$1,069,319, \$956,098, and \$812,366, for administrative costs, for the years ended September 30, 2017, 2016, and 2015, respectively. The County contributed \$4,571,062, \$4,184,416, and \$3,720,371 and County employees contributed \$847,777, \$793,938, and \$776,706 to the health insurance program for the years ended September 30, 2017, 2016, and 2015, respectively. Retirees and other agency contributions were \$329,339, \$280,850, and \$311,909, for the years ended September 30, 2017, 2016, and 2015, 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 \$169,126, \$134,783, and \$143,338, at September 30, 2017, 2016, and 2015, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2017, 2016, and 2015.

Year Ending September 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2015	\$ 127,393	\$ 4,286,850	\$ 4,270,905	\$ 143,338
2016	143,338	6,872,183	6,880,738	134,783
2017	134,783	4,813,057	4,778,714	169,126

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 \$184,979, \$179,068, and \$144,042, in worker's compensation claims for the years ended September 30, 2017, 2016, and 2015. 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 \$17,315, \$14,850, and \$7,719, at September 30, 2017, 2016, and 2015, 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 \$258,454 at September 30, 2017. In the opinion of management, net position is adequate to meet probable claim contingencies at September 30, 2017. The Employee Benefits Fund has a net position of \$330,153.

**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 738 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.

Taylor County, Texas  
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September 30, 2017

**NOTE 11: Retirement Plan, continued**

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.

**Membership.** Membership in the TCDRS plan at December 31, 2016 consisted of the following:

Inactive Employees' Accounts:	
Receiving benefits	314
Entitled to but not yet receiving benefits	<u>479</u>
Total	793
Active Employees' Accounts	629

**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>2016</u>	<u>2017</u>
Member	7.0%	7.0%
Employers	10.15%	10.15%
Employer Contributions	\$2,479,326	\$2,603,268
Member Contributions	\$1,695,794	\$1,777,845

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.9 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.

**NOTE 11: Retirement Plan - continued**

There were changes in assumptions and methods reflected in the December 31, 2016 actuarial valuation.

The asset valuation method for the December 31, 2016 actuarial valuation is to smooth each year's actuarial investment gains and losses. First, to the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of the oldest to the most recent. Any remaining gain or loss for the year is recognized over a five-year period. For the prior valuation, there was no offsetting of unrecognized gains and unrecognized losses, and all asset gains and losses for a year were recognized over a five-year period.

There was also a change in how extra plan contributions are treated effective with the December 31, 2016 actuarial valuation. For the current valuation, if extra lump-sum contributions are made to a plan during the year, the extra contributions are used to offset the unfunded actuarial accrued liability increase, if any, related to plan changes elected during the current year. Extra contributions over the required amount due to an elected rate and any remaining lump-sum contribution amounts are then used to pay down existing loss bases, in the order of the oldest to the most recent. For the prior valuation, extra contributions were first used to offset increases to the unfunded actuarial accrued liability, if any, related to plan changes elected during the year. Any remaining extra contributions were then incorporated into the actuarial gains or losses for the current year. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumption.

**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 2017 information for a 7 – 10 year time horizon.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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 <sup>1</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>2</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>3</sup>	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities – Emerging	MSCI World Ex USA (net)	7.00%	5.70%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>4</sup>	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>5</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

<sup>1</sup> Target asset allocation adopted at the April 2017 TCDRS Board meeting.

<sup>2</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

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

<sup>4</sup> Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

<sup>5</sup> Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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, 2017, the County reported a net pension liability of \$13,409,169 for its net pension liability measured at December 31, 2016. For the year ended September 30, 2017, the County recognized pension expense of \$3,730,693.

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

There were changes in plan provisions that are reflected in the December 31, 2016 actuarial valuation. State legislation passed in 2015 and effective January 1, 2017, alters fund accounting related to annuitants. Note that these changes do not impact benefit amounts but do affect the actuarial valuation.

Prior to the 2015 legislation, when a member retired, the member's account balance in the ESF plus an equal amount from the employer's subdivision accumulation fund (SAF) account was transferred to the current service annuity reserve fund (CSARF), a system-wide fund. This transfer funded a portion of the retiree's benefit, with monthly payments for this portion being paid from the CSARF, and the remainder of the retiree's monthly benefit being paid from the employer's SAF account.

The 2015 legislation changed this structure. Effective with 2017 retirements, there is no transfer of funds to the CSARF at retirement. Instead the member's account balance in the employees saving fund (ESF) is transferred to the employer's SAF at retirement. Also effective January 1, 2017, each employer received a percentage of the total January 1, 2017 CSARF balance. This percentage was equal to the CSARF liabilities related to retirements from each employer divided by the total CSARF liabilities for the system as a whole, determined using the assumptions and methods previously described. Subsequently, all monthly benefit payments for each employer's retirees are paid from that employer's SAF account. These changes were reflected in the December 31, 2016 actuarial valuation.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 11: Retirement Plan - continued**

Changes in the net pension liability for the year ended December 31, 2016 are as follows:

	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
<u>Changes in Net Pension Liability / (Asset)</u>			
Balances at December 31, 2015	\$ 106,268,838	\$ 92,716,963	\$ 13,551,875
Changes for the year:			
Service cost	2,839,411	-	2,839,411
Interest on total pension liability-(1)	8,515,412	-	8,515,412
Effect of plan changes-(2)	-	-	-
Effect of economic/demographic gains or losses	(195,799)	-	(195,799)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(484,353)	(484,353)	-
Benefit payments	(4,680,920)	(4,680,920)	-
Administrative expenses	-	(74,547)	74,547
Member contributions	-	1,777,845	(1,777,845)
Net investment income	-	6,862,327	(6,862,327)
Employer contributions	-	2,603,268	(2,603,268)
Other-(3)	-	132,837	(132,837)
Balances as of December 31, 2016	<u>\$ 112,262,589</u>	<u>\$ 98,853,420</u>	<u>\$ 13,409,169</u>

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

[2] No plan changes valued.

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

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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	\$ 126,190,866	\$ 112,262,589	\$ 100,619,492
Fiduciary net position	<u>98,853,420</u>	<u>98,853,420</u>	<u>98,853,420</u>
Net pension liability / (asset)	<u>\$ 27,337,446</u>	<u>\$ 13,409,169</u>	<u>\$ 1,766,072</u>

At December 31, 2016, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 765,022	\$ -
Changes in actuarial assumptions	-	547,046
Net difference between projected and actual investment earnings	-	5,230,971
Contributions paid to TCDRS subsequent to the measurement date	<u>-</u>	<u>1,810,766</u>
Total	<u>\$ 765,022</u>	<u>\$ 7,588,783</u>

\$1,810,766 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, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 1,693,252
2019	1,693,252
2020	1,502,708
2021	<u>123,783</u>
Total	<u>\$ 5,012,995</u>

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**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, 2017, the County had \$77,385 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 \$79,951 as of September 30, 2017. Fund balance restricted for capital projects totaled \$51,844,552 as of September 30, 2017. Special revenue fund balance restricted for specific programs included technology, security, enabling legislation, and law enforcement and totaled \$186,766, \$206,753, \$1,615,181, and \$738,001, respectively, as of September 30, 2017.

*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, 2017, 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, 2017, the County had \$1,655,518 in fund balance assigned for road and bridge, \$1,517,451 assigned for contingencies and \$4,986,817 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, 2017

**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, 2017 is as follows:

Annual Required Contribution (ARC)	\$ 1,436,376
Interest on OPEB Obligation	252,679
Adjustment to the ARC	<u>(246,151)</u>
Annual OPEB Cost	1,442,904
Net Estimated Employer Contributions	<u>(397,978)</u>
Increase (Decrease) in Net OPEB Obligation	1,044,926
Net OPEB Obligation, Beginning of the Year	<u>6,316,967</u>
Net OPEB Obligation, End of the Year	<u>\$ 7,361,893</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
9/30/2015	\$ 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%
9/30/2017	397,978	1,442,904	27.6%	7,361,893	1,436,376	27.7%

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. 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.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2017

**NOTE 13: Postemployment Healthcare Benefits, continued**

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: Other Retirement and Miscellaneous Benefits**

The County makes available to all of its full-time employees a deferred compensation plan under Internal Revenue Code Section 457. The County does not contribute to this plan. All contributions are made by employees who elect to participate in the plan. The County remits employee contributions to the plan trustee on a regular basis. The County does not administer the Section 457 plan, not does it provide investment advice to the plan. Accordingly, the Section 457 plan is not part of the County's reporting entity.

**NOTE 15: Upcoming Accounting Pronouncements**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

TAYLOR COUNTY, TEXAS  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2017

Exhibit B-1

	Budget Amounts			Variance from Final Budget
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 38,900,000	\$ 38,900,000	\$ 39,993,755	\$ 1,093,755
Other taxes	480,000	480,000	529,745	49,745
License and permits	577,200	577,200	624,726	47,526
Intergovernmental and grants	1,852,562	1,974,950	1,883,576	(91,374)
Fines and fees	3,606,314	3,606,314	3,827,801	221,487
Rents and recoveries	1,728	1,728	1,735	7
Investment earnings	205,500	205,500	295,489	89,989
Miscellaneous	224,250	240,842	82,963	(157,879)
<b>Total revenues</b>	<b>45,847,554</b>	<b>45,986,534</b>	<b>47,239,790</b>	<b>1,253,256</b>
<b>EXPENDITURES</b>				
Current				
General government	4,312,251	4,001,775	3,815,753	186,022
Financial	2,530,778	2,548,814	2,207,559	341,255
Judicial	7,449,371	7,703,129	7,496,484	206,645
Legal	3,069,153	3,062,616	2,936,736	125,880
Elections	382,817	384,646	350,786	33,860
Public facilities	1,181,633	1,189,148	1,168,566	20,582
Public safety	23,747,914	24,427,698	23,429,938	997,760
Road and bridge	3,000	405	405	
Health and welfare	4,221,094	3,975,988	3,212,263	763,725
Conservation	630,213	645,511	552,087	93,424
Culture and recreation	139,070	119,069	36,770	82,299
Capital Outlay				
Capital outlay			1,184,951	(1,184,951)
<b>Total expenditures</b>	<b>47,667,294</b>	<b>48,058,799</b>	<b>46,392,298</b>	<b>1,666,501</b>
Excess revenues over expenditures	(1,819,740)	(2,072,265)	847,492	2,919,757
<b>OTHER FINANCING SOURCES</b>				
Transfers (out) in	-	-	(1,618,480)	(1,618,480)
Sale of property				
<b>Total other financing sources (uses)</b>			<b>(1,618,480)</b>	<b>(1,618,480)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,819,740)</b>	<b>(2,072,265)</b>	<b>(770,988)</b>	<b>1,301,277</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>24,137,504</b>	<b>24,137,504</b>	<b>24,137,504</b>	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 22,317,764</b>	<b>\$ 22,065,239</b>	<b>\$ 23,366,516</b>	<b>\$ 1,301,277</b>

TAYLOR COUNTY, TEXAS  
Road and Bridge  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2017

Exhibit B-2

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,536,617	\$ 86,617
Other taxes			1,208,923	1,208,923
Licenses and permits	2,610,000	2,610,000	1,617,100	(992,900)
Intergovernmental and grants	217,515	405,589	-	(405,589)
Fines and fees			56,777	56,777
Investment earnings	2,000	2,000	12,427	10,427
Other revenue			179,715	179,715
Total revenues	<u>4,279,515</u>	<u>4,467,589</u>	<u>4,611,559</u>	<u>143,970</u>
<b>EXPENDITURES</b>				
Current				
Road and bridge	4,328,355	4,354,051	3,775,572	578,479
Capital outlay				
Capital outlay			247,241	(247,241)
Total expenditures	<u>4,328,355</u>	<u>4,354,051</u>	<u>4,022,813</u>	<u>331,238</u>
Excess revenues over expenditures	(48,840)	113,538	588,746	475,208
<b>OTHER FINANCING SOURCES</b>				
Transfers in				
Sale of property			131,920	131,920
Total other financing sources (uses)		-	131,920	131,920
NET CHANGE IN FUND BALANCE	(48,840)	113,538	720,666	607,128
FUND BALANCE AT BEGINNING OF YEAR	<u>934,852</u>	<u>934,852</u>	<u>934,852</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 886,012</u>	<u>\$ 1,048,390</u>	<u>\$ 1,655,518</u>	<u>\$ 607,128</u>

TAYLOR COUNTY, TEXAS  
Schedule of Changes in Net Pension Liability and Related Ratios  
Texas County & District Retirement System  
For Fiscal Year 2017

Exhibit B-3

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Total Pension Liability</b>			
Service cost	\$ 2,839,411	\$ 2,602,761	\$ 2,529,603
Interest on total pension liability	8,515,412	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	(195,799)	(681,221)	(693,909)
Benefit payments/refunds of contributions	<u>(5,165,273)</u>	<u>(4,619,338)</u>	<u>(4,320,808)</u>
Net change in total pension liability	5,993,751	6,057,453	5,144,197
Total pension liability, beginning	<u>106,268,838</u>	<u>100,211,385</u>	<u>95,067,188</u>
Total pension liability, ending (a)	<u>\$ 112,262,589</u>	<u>\$ 106,268,838</u>	<u>\$ 100,211,385</u>
<b>Fiduciary Net Position</b>			
Employer contributions	\$ 2,603,268	\$ 2,479,326	\$ 2,288,264
Member contributions	1,777,845	1,695,794	1,591,328
Investment income net of investment expenses	6,862,327	431,691	6,017,830
Benefit payments/refunds of contributions	(5,165,273)	(4,619,338)	(4,320,808)
Administrative expenses	(74,547)	(66,784)	(69,597)
Other	<u>132,837</u>	<u>(195,479)</u>	<u>(309,813)</u>
Net change in fiduciary net position	6,136,457	(274,790)	5,197,204
Fiduciary net position, beginning	<u>92,716,963</u>	<u>92,991,753</u>	<u>87,794,549</u>
Fiduciary net position, ending (b)	<u>\$ 98,853,420</u>	<u>\$ 92,716,963</u>	<u>\$ 92,991,753</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 13,409,169</u>	<u>\$ 13,551,875</u>	<u>\$ 7,219,632</u>
Fiduciary net position as a percentage of total pension liability	88.06%	87.25%	92.80%
Pensionable covered payroll	\$ 25,397,782	\$ 24,225,635	\$ 22,733,251
Net pension liability as a percentage of covered payroll	52.80%	55.94%	31.76%

TAYLOR COUNTY, TEXAS  
Schedule of Employer Contributions  
Texas County & District Retirement System  
For Fiscal Year 2017

Exhibit B-4

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2008	\$ 1,552,416	\$ 1,552,416	\$ -	\$ 17,884,977	8.7%
2009	1,594,723	1,594,723	-	18,586,511	8.6%
2010	1,748,497	1,915,577	(167,080)	20,284,194	9.4%
2011	1,872,115	1,913,488	(41,373)	20,686,358	9.2%
2012	1,780,807	1,942,512	(161,705)	21,000,084	9.3%
2013	1,929,162	1,993,828	(64,666)	21,554,883	9.3%
2014	2,117,298	2,117,298	-	22,240,501	9.5%
2015	2,288,264	2,288,264	-	22,733,251	10.1%
2016	2,171,561	2,191,985	(20,424)	24,225,635	9.0%
2017	2,291,049	2,339,300	(48,251)	25,397,782	9.2%

TAYLOR COUNTY, TEXAS  
 Required Supplementary Information  
 Schedule of Funding Progress, Postemployment Healthcare Benefits  
 September 30, 2017

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, 2017

**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 2017 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 \$1,184,951 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 \$247,241 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, 2017

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

Assumptions

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

<b>Valuation date</b>	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.
<b>Actuarial cost method</b>	Entry age
<b>Amortization method</b>	Level percentage of payroll, closed
<b>Remaining amortization period</b>	9.9 years
<b>Asset valuation method</b>	5-year smoothed market
<b>Inflation</b>	3.0%
<b>Salary increases</b>	Varies by age and service. 4.9%, average, over career including inflation
<b>Investment rate of return</b>	8.00%, including inflation
<b>Retirement Age</b>	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.
<b>Mortality</b>	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.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	2015: No changes in plan provisions.  2016: No changes in plan provisions.

**COMBINING STATEMENTS**

TAYLOR COUNTY, TEXAS  
Nonmajor Governmental Funds  
Combining Balance Sheet  
September 30, 2017

Exhibit C-1

	General Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,712	\$ 4,909,363	\$ 79,951	\$ 5,002,026
Investments		3,003,134		3,003,134
Accounts receivable-net				
Property taxes			5,512	5,512
Other		43,297		43,297
Due from other funds		203,530		203,530
Total assets	<u>\$ 12,712</u>	<u>\$ 8,159,324</u>	<u>\$ 85,463</u>	<u>\$ 8,257,499</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$ 163,645	\$	\$ 163,645
Due to other funds		275,195		275,195
Total liabilities		438,840		438,840
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes			5,512	5,512
Total deferred inflows of resources			5,512	5,512
<b>Fund balances</b>				
<b>Restricted for</b>				
Debt service			79,951	79,951
Capital projects	12,712			12,712
Technology		186,766		186,766
Security		206,753		206,753
Enabling legislation		1,615,181		1,615,181
Law enforcement		738,001		738,001
<b>Assigned for</b>				
Other purposes		4,986,818		4,986,818
Unassigned		(13,035)		(13,035)
Total fund balance	<u>12,712</u>	<u>7,720,484</u>	<u>79,951</u>	<u>7,813,147</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 12,712</u>	<u>\$ 8,159,324</u>	<u>\$ 85,463</u>	<u>\$ 8,257,499</u>

TAYLOR COUNTY, TEXAS  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Year Ended September 30, 2017

Exhibit C-2

	General Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>REVENUES</b>				
Taxes				
Property taxes	\$	\$	\$ 7,684	\$ 7,684
Intergovernmental and grants		1,126,955		1,126,955
Fines and fees		690,826		690,826
Investment earnings	100	73,875	612	74,587
Miscellaneous		442,514		442,514
<b>Total revenues</b>	<b>100</b>	<b>2,334,170</b>	<b>8,296</b>	<b>2,342,566</b>
<b>EXPENDITURES</b>				
Current				
General government		766,204		766,204
Financial		365		365
Judicial		30,086		30,086
Legal		180,144		180,144
Elections		23,113		23,113
Public safety		1,369,046		1,369,046
Road and bridge		54,174		54,174
Health and welfare		44,417		44,417
Capital outlay				
Capital outlay		120,353		120,353
<b>Total expenditures</b>	<b>-</b>	<b>2,587,902</b>		<b>2,587,902</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>100</b>	<b>(253,732)</b>	<b>8,296</b>	<b>(245,336)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		65,214		65,214
Transfers out		(65,214)		(65,214)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>100</b>	<b>(253,732)</b>	<b>8,296</b>	<b>(245,336)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>12,612</b>	<b>7,974,216</b>	<b>71,655</b>	<b>8,058,483</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 12,712</b>	<b>\$ 7,720,484</b>	<b>\$ 79,951</b>	<b>\$ 7,813,147</b>

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
September 30, 2017

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
<b>ASSETS</b>				
Cash and cash equivalents	\$ 420,269	\$ 900,696	\$ 52,234	\$ 353,660
Investments	2,002,089		1,001,045	
Accounts receivable (net)		335	12,284	1,052
Due from other funds				
Total assets	\$ 2,422,358	\$ 901,031	\$ 1,065,563	\$ 354,712
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$	\$	\$ 9,360	\$
Due to other funds			596	
Total liabilities	-	-	9,956	-
Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation			1,055,607	354,712
Law enforcement				
Assigned for				
Other purposes	2,422,358	901,031		
Unassigned				
Total fund balance	2,422,358	901,031	1,055,607	354,712
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,422,358</b>	<b>\$ 901,031</b>	<b>\$ 1,065,563</b>	<b>\$ 354,712</b>

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$ 5,969	\$ 53,784	\$ 393,399	\$ 73,978	\$ 664,352	\$ 243,121	\$ 125,968	\$ 41,289
	4,280	796					
<u>\$ 5,969</u>	<u>\$ 58,064</u>	<u>\$ 394,195</u>	<u>\$ 73,978</u>	<u>\$ 664,352</u>	<u>\$ 243,121</u>	<u>\$ 125,968</u>	<u>\$ 41,289</u>
\$	\$	\$ 295	\$ 329	\$	\$	\$ 1,338	\$ 15,985
		381				16	
	-	676	329	-	-	1,354	15,985
		186,766					
		206,753					
			73,649	664,352			
5,969	58,064				243,121	124,614	25,304
<u>5,969</u>	<u>58,064</u>	<u>393,519</u>	<u>73,649</u>	<u>664,352</u>	<u>243,121</u>	<u>124,614</u>	<u>25,304</u>
<u>\$ 5,969</u>	<u>\$ 58,064</u>	<u>\$ 394,195</u>	<u>\$ 73,978</u>	<u>\$ 664,352</u>	<u>\$ 243,121</u>	<u>\$ 125,968</u>	<u>\$ 41,289</u>

TAYLOR COUNTY, TEXAS  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 September 30, 2017

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
<b>ASSETS</b>				
Cash and cash equivalents	\$ 253,028	\$ 891,249	\$ 154,887	\$ 37,862
Investments				
Accounts receivable (net)	3,000	21,550		
Due from other funds		203,530		
Total assets	\$ 256,028	\$ 1,116,329	\$ 154,887	\$ 37,862
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 35,569	\$ 16,001	\$ 84,467	\$
Due to other funds	233,494		2,253	
Total liabilities	269,063	16,001	86,720	-
 Fund balance				
Restricted for				
Technology				
Security				
Enabling legislation				
Law enforcement				
Assigned for				
Other purposes		1,100,328	68,167	37,862
Unassigned	(13,035)			
Total fund balance	(13,035)	1,100,328	68,167	37,862
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b>\$ 256,028</b>	 <b>\$ 1,116,329</b>	 <b>\$ 154,887</b>	 <b>\$ 37,862</b>

Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 110,506	\$ 133,112	\$ 4,909,363
		3,003,134
		43,297
		203,530
<u>\$ 110,506</u>	<u>\$ 133,112</u>	<u>\$ 8,159,324</u>
\$ 301	\$	\$ 163,645
	38,455	275,195
301	38,455	438,840
		186,766
		206,753
110,205	94,657	1,615,181
		738,001
		4,986,818
		(13,035)
<u>110,205</u>	<u>94,657</u>	<u>7,720,484</u>
<u>\$ 110,506</u>	<u>\$ 133,112</u>	<u>\$ 8,159,324</u>

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2017

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
<b>REVENUES</b>				
Intergovernmental and grants	\$	\$	\$	\$
Fines and fees			499,085	47,840
Investment earnings	25,679	7,038	14,407	
Other revenues	76,215	19,458		
	<u>101,894</u>	<u>26,496</u>	<u>513,492</u>	<u>47,840</u>
Total revenues				
<b>EXPENDITURES</b>				
Current				
General government			766,204	
Financial		86		
Judicial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	44,417			
Capital outlay				
Capital outlay				
	<u>44,417</u>	<u>86</u>	<u>766,204</u>	
Total expenditures				
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>57,477</u>	<u>26,410</u>	<u>(252,712)</u>	<u>47,840</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCE</b>	57,477	26,410	(252,712)	47,840
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>2,364,881</u>	<u>874,621</u>	<u>1,308,319</u>	<u>306,872</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,422,358</u>	<u>\$ 901,031</u>	<u>\$ 1,055,607</u>	<u>\$ 354,712</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
\$ 68	\$	\$ 33,447	\$ 38,969	\$ 615	\$	\$ 48,086	\$
39	4,704		574	5,298	1,961	718	318
					134,085		310
107	4,704	33,447	39,543	5,913	136,046	48,804	628
	279	30,086	32,596	39,053	108,495	23,113	
	279	30,086	32,596	39,053	108,495	23,113	
107	4,425	3,361	6,947	(33,140)	27,551	25,691	628
3,420				27,798	(65,214)		
3,420	-	-	-	27,798	(65,214)	-	-
3,527	4,425	3,361	6,947	(5,342)	(37,663)	25,691	628
2,442	53,639	390,158	66,702	669,694	280,784	98,923	24,676
\$ 5,969	\$ 58,064	\$ 393,519	\$ 73,649	\$ 664,352	\$ 243,121	\$ 124,614	\$ 25,304

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2017

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure
<b>REVENUES</b>				
Intergovernmental and grants	\$ 998,638	\$ 90,817	\$	\$
Fines and fees		22,716		
Investment earnings	2,319	7,105	1,495	298
Other revenues			210,000	
<b>Total revenues</b>	<b>1,000,957</b>	<b>120,638</b>	<b>211,495</b>	<b>298</b>
<b>EXPENDITURES</b>				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	980,523	120,052	242,191	
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			120,353	
<b>Total expenditures</b>	<b>980,523</b>	<b>120,052</b>	<b>362,544</b>	<b>-</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>20,434</b>	<b>586</b>	<b>(151,049)</b>	<b>298</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>20,434</b>	<b>586</b>	<b>(151,049)</b>	<b>298</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>(33,469)</b>	<b>1,099,742</b>	<b>219,216</b>	<b>37,564</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (13,035)</b>	<b>\$ 1,100,328</b>	<b>\$ 68,167</b>	<b>\$ 37,862</b>

<u>Sheriff Forfeiture</u>	<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 3,074	\$ 34,426	\$ 1,126,955
865	1,057	690,826
<u>2,446</u>		<u>73,875</u>
		442,514
6,385	35,483	2,334,170
		766,204
		365
		30,086
		180,144
		23,113
26,280		1,369,046
	54,174	54,174
		44,417
		<u>120,353</u>
<u>26,280</u>	<u>54,174</u>	<u>2,587,902</u>
<u>(19,895)</u>	<u>(18,691)</u>	<u>(253,732)</u>
33,996		65,214
		<u>(65,214)</u>
<u>33,996</u>	<u>-</u>	<u>-</u>
14,101	(18,691)	(253,732)
<u>96,104</u>	<u>113,348</u>	<u>7,974,216</u>
<u>\$ 110,205</u>	<u>\$ 94,657</u>	<u>\$ 7,720,484</u>

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Net Position  
September 30, 2017

Exhibit C-5

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 258,525	\$ 612,404	\$ 870,929
Accounts receivable		146,319	146,319
Prepaid expenses		90,485	90,485
<b>Total assets</b>	<b>\$ 258,525</b>	<b>\$ 849,208</b>	<b>\$ 1,107,733</b>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Accounts payable	\$ 71	\$ 169,055	\$ 169,126
Due to other funds		350,000	350,000
<b>Total liabilities</b>	<b>71</b>	<b>519,055</b>	<b>519,126</b>
Net position			
Unrestricted	258,454	330,153	588,607
<b>Total net position</b>	<b>258,454</b>	<b>330,153</b>	<b>588,607</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 258,525</b>	<b>\$ 849,208</b>	<b>\$ 1,107,733</b>

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2017

Exhibit C-6

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$	\$ 5,748,179	\$ 5,748,179
Total operating revenues	-	5,748,179	5,748,179
<b>OPERATING EXPENSES</b>			
Contracted services		1,435,468	1,435,468
Claims	15,488	4,707,084	4,722,572
Total operating expenses	15,488	6,142,552	6,158,040
<b>OPERATING LOSS</b>	(15,488)	(394,373)	(409,861)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	1,804	2,783	4,587
Settlement proceeds	96,000		96,000
Total nonoperating revenues (expenses)	97,804	2,783	100,587
Income before transfers	82,316	(391,590)	(309,274)
<b>TRANSFERS</b>			
Transfers in		1,500,000	1,500,000
Net transfers		1,500,000	1,500,000
<b>CHANGE IN NET POSITION</b>	82,316	1,108,410	1,190,726
<b>NET POSITION AT BEGINNING OF YEAR</b>	176,138	(778,257)	(602,119)
<b>NET POSITION AT END OF YEAR</b>	\$ 258,454	\$ 330,153	\$ 588,607

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended September 30, 2017

Exhibit C-7

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from interfund services provided	\$	\$ 5,646,092	\$ 5,646,092
Cash payments for claims	(84,391)	(4,694,323)	(4,778,714)
Cash payments for insurance premiums		(1,435,468)	(1,435,468)
Net cash used in operating activities	(84,391)	(483,699)	(568,090)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers, net		450,000	450,000
Settlement proceeds	96,000		96,000
Net cash provided by non-capital financing activities	96,000	450,000	546,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,804	2,783	4,587
Net cash provided by investing activities	1,804	2,783	4,587
CHANGE IN CASH AND CASH EQUIVALENTS	13,413	(30,916)	(17,503)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	245,112	643,320	888,432
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 258,525	\$ 612,404	\$ 870,929
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating loss	\$ (15,488)	\$ (394,373)	\$ (409,861)
Net change in:			
Accounts receivable		(102,087)	(102,087)
Prepaid expenses		(90,485)	(90,485)
Claims payable	(68,903)	103,246	34,343
Total adjustments	(68,903)	(89,326)	(158,229)
Net cash used in operating activities	\$ (84,391)	\$ (483,699)	\$ (568,090)

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2017

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Appellate Judicial Fund	County Clerk
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 219,334	\$ 1,083	\$ 77,872	\$ 952	\$ 84,428
Due from other funds	12,945				
Accounts receivable	18,828				
<b>TOTAL ASSETS</b>	<b><u>\$ 251,107</u></b>	<b><u>\$ 1,083</u></b>	<b><u>\$ 77,872</u></b>	<b><u>\$ 952</u></b>	<b><u>\$ 84,428</u></b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 238,234				
Due to other funds	12,643		12,945		
Due to others	230	1,083	64,927	952	84,428
<b>TOTAL LIABILITIES</b>	<b><u>\$ 251,107</u></b>	<b><u>\$ 1,083</u></b>	<b><u>\$ 77,872</u></b>	<b><u>\$ 952</u></b>	<b><u>\$ 84,428</u></b>

<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>
\$ 631,306	\$ 581,000	\$ 4,226	\$ 7,044	\$ 16,897	\$ 99,434	\$ 4,476
<u>\$ 631,306</u>	<u>\$ 581,000</u>	<u>\$ 4,226</u>	<u>\$ 7,044</u>	<u>\$ 16,897</u>	<u>\$ 99,434</u>	<u>\$ 4,476</u>
\$	\$	\$	\$	\$	\$	\$
<u>631,306</u>	<u>581,000</u>	<u>4,226</u>	<u>7,044</u>	<u>16,897</u>	<u>99,434</u>	<u>4,476</u>
<u>\$ 631,306</u>	<u>\$ 581,000</u>	<u>\$ 4,226</u>	<u>\$ 7,044</u>	<u>\$ 16,897</u>	<u>\$ 99,434</u>	<u>\$ 4,476</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2017

	Community Corrections Fund	Restitution Center Fund	Tax Assessor Sales Tax	Tax Assessor Escrow	Employee Service Fund
ASSETS:					
Cash and cash equivalents	\$ 1,618,923	\$	\$ 263	\$ 781,499	\$ 7,356
Due from other funds					
Accounts receivable					
TOTAL ASSETS	<u>\$ 1,618,923</u>	<u>\$</u>	<u>\$ 263</u>	<u>\$ 781,499</u>	<u>\$ 7,356</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>1,618,923</u>		<u>263</u>	<u>781,499</u>	<u>7,356</u>
TOTAL LIABILITIES	<u>\$ 1,618,923</u>	<u>\$</u>	<u>\$ 263</u>	<u>\$ 781,499</u>	<u>\$ 7,356</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>CSCD Tax Deposit</u>	<u>CSCD Employee Fund</u>
\$ 543,363	\$ 429,879	\$ 25,899	\$ 1,502	\$ 393	\$ 100	\$ 3,909
<u>\$ 543,363</u>	<u>\$ 429,879</u>	<u>\$ 25,899</u>	<u>\$ 1,502</u>	<u>\$ 393</u>	<u>\$ 100</u>	<u>\$ 3,909</u>
\$	\$	\$	\$	\$	\$	\$
<u>543,363</u>	<u>429,879</u>	<u>25,899</u>	<u>1,502</u>	<u>393</u>	<u>100</u>	<u>3,909</u>
<u>\$ 543,363</u>	<u>\$ 429,879</u>	<u>\$ 25,899</u>	<u>\$ 1,502</u>	<u>\$ 393</u>	<u>\$ 100</u>	<u>\$ 3,909</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2017

	Tax A/C Deferred Payments	Tax A/C Online Vehicle Registration	DA Collections Trust	Veterans Memorial Fund	Receivership Account
ASSETS:					
Cash and cash equivalents	\$ 366,739	\$ 2,519	\$ 134,739	\$ 3,090	\$ 23,065
Due from other funds					
Accounts receivable					
	<u>366,739</u>	<u>2,519</u>	<u>134,739</u>	<u>3,090</u>	<u>23,065</u>
TOTAL ASSETS	<u>\$ 366,739</u>	<u>\$ 2,519</u>	<u>\$ 134,739</u>	<u>\$ 3,090</u>	<u>\$ 23,065</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>366,739</u>	<u>2,519</u>	<u>134,739</u>	<u>3,090</u>	<u>23,065</u>
TOTAL LIABILITIES	<u>\$ 366,739</u>	<u>\$ 2,519</u>	<u>\$ 134,739</u>	<u>\$ 3,090</u>	<u>\$ 23,065</u>

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District Clerk Bail Bond Fund	Domestic Relations	Total Agency Funds
\$ 149,849	\$ 3,252	\$ 5,824,391
		12,945
		18,828
<u>\$ 149,849</u>	<u>\$ 3,252</u>	<u>\$ 5,856,164</u>
\$	\$	\$ 238,234
		25,588
<u>149,849</u>	<u>3,252</u>	<u>5,592,342</u>
<u>\$ 149,849</u>	<u>\$ 3,252</u>	<u>\$ 5,856,164</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, 2017, 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 22, 2018.

Internal Control Over Financial Reporting

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-A to be a material weaknesses.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-B to be a significant deficiency.

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*.

### **Taylor County, Texas' Response to Finding**

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

#### Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas  
March 22, 2018

**Taylor County, Texas**  
 Schedule of Findings and Responses  
 For the Year Ended September 30, 2017

**A. Summary of Auditor's Results**

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Finding 2017-A
Significant deficiencies identified that are not considered to be material weaknesses	Finding 2017-B
Noncompliance material to financial statements noted?	No

**B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards***

<b>Finding 2017-A:</b>	<b>Financial Reporting</b>
Type of Finding:	Material Weakness
Criteria or Specific Requirement:	Management of the County is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
Statement of Condition:	The County does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Additionally, we recorded three audit adjustments to the County's recorded account balances, which if not recorded would have resulted in a material misstatement of the County's financial statements.
Cause:	The County does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures in a timely manner.
Effect:	Although this circumstance is not unusual for an organization of your size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by County personnel.
Recommendations:	Auditing standards require that auditors communicate this deficiency; however, the County prepares budgetary and other financial reports for Commissioners review on a routine basis, similar to many smaller governmental entities. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
View of Responsible Officials:	The County prepares budgetary and financial reports to present to the Commissioners on a monthly basis and will continue to do so, and will continue to have all financial statements and related information available.

**Taylor County, Texas**  
Schedule of Findings and Reponses  
For the Year Ended September 30, 2017

**B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards – continued***

<b>Finding 2017-B:</b>	<b>Segregation of Duties</b>
Type of Finding:	Significant Deficiency
Criteria or Specific Requirement:	Management of the County is responsible for identifying, assessing, and reporting all activity on the financial statements.
Statement of Condition:	The County does not have an internal control system designed to provide for the timely monitoring and reporting of culvert inventories.
Cause:	The County has not developed an internal control system to reconcile culvert inventories on a routine basis.
Effect:	Although this circumstance is not material, the lack of segregation of duties results in a higher risk of misstatement.
Recommendations:	Auditing standards require that auditors communicate this deficiency; however, the County prepares inventory reports for Commissioners review on a routine basis, similar to many smaller governmental entities. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
View of Responsible Officials:	The County prepares inventory reports to present to the Commissioners on a monthly basis and will continue to do so, and will continue to have all financial statements and related information available.

**Elijah Anderson, CPA  
Taylor County Auditor  
400 Oak Street, Suite 449  
Abilene, Texas 79602**



**Phone: (325) 674-1252  
Fax: (325) 674-1372**

**Finding 2017-A**

The County will continue to prepare budgetary and financial reports on a monthly basis to report to the Commissioners in accordance with Texas Local Government Code. Additionally, the County will begin performing quarterly reviews of the financial statements and identified weakness areas to create a more timely reporting structure.

**Contact Person:**

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Abilene, Texas 79602  
Phone: (325) 674-1252  
andersone@taylorcountytexas.org

**Expected Implementation date:** March 31, 2018

**Finding 2017-B**

The County will change procedures over culverts, such as inserting additional segregation of duties into the culvert inventory and billing process. The auditor's office will begin presenting detailed culvert inventory reconciliations to the Commissioner's Court, as deemed appropriate.

**Contact Person:**

Elijah Anderson  
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400 Oak, Suite 449  
Abilene, Texas 79602  
Phone: (325) 674-1252  
andersone@taylorcountytexas.org

**Expected Implementation date:** March 31, 2018

**Taylor County, Texas**  
Schedule of Prior Year Findings  
For the Year Ended September 30, 2017

No prior year findings reported.