

Financial Report of
COUNTY OF COKE

Robert Lee, Texas

Year Ended September 30, 2016

COUNTY OF COKE
Annual Financial Report
Year Ended September 30, 2016

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FINANCIAL SECTION

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Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Coke
13 East 7th Street
Robert Lee, TX 76945

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coke, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 County'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 County'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 modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coke, Texas, as of September 30, 2016, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

The Honorable County Judge
and Commissioners' Court
Page 2

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 6, 30 through 31, and 32 through 33, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Coke's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

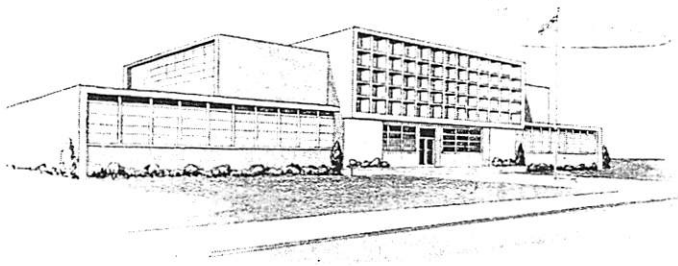
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 January 6, 2017, on our consideration of the County of Coke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Coke's internal control over financial reporting and compliance.

Eckert & Company, LLP

January 6, 2017



COKE COUNTY

ROBERT LEE, TEXAS 76945

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Coke's financial performance provides an overview of the County's financial activities for the year ended September 30, 2016, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$5,599,505 (net position). Of this amount, \$3,870,522 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$936,951 or 20%. This amount consists of a \$1,102,964 increase attributable to current operations, and a \$166,013 decrease due to prior period adjustments. The County's statement of activities shows total revenues of \$3,600,701 and total expenses of \$2,497,737.

The total fund balance of the General Fund is \$2,532,243 which is an increase of \$184,412 or 8% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

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

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, 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 the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, public health and welfare, and culture and recreation, as well as general administrative and support services.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**Overview of the Financial Statements - Continued**

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current 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 County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, and the County Transportation Infrastructure Grant Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2016	2015
Current and Other Assets	\$ 3,870,522	\$ 3,647,479
Capital Assets	1,728,983	1,015,131
Total Assets	\$ 5,599,505	\$ 4,662,610
Liabilities	\$ 0	\$ 56
Net Position		
Net Investment in Capital Assets	\$ 1,728,983	\$ 1,015,131
Unrestricted	3,870,522	3,647,423
Total Net Position	\$ 5,599,505	\$ 4,662,554

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**Government-Wide Financial Analysis - Continued**

A large portion of the County's net position resulting from modified cash basis transactions (\$1,728,983) reflects the County's investment in capital assets. These assets are not available for future spending. The remaining balance of unrestricted net position (\$3,870,522) may be used to meet the County's ongoing obligations.

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$1,102,964 and \$491,163 for the fiscal years ended September 30, 2016 and 2015, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2016	2015
Revenues		
Program Revenues		
Charges for Services	\$ 604,840	\$ 638,695
Operating Grants and Contributions	85,346	248,927
Capital Grants and Contributions	504,400	0
General Revenues		
Maintenance and Operations Taxes	2,279,437	2,274,437
Investment Earnings	15,289	14,041
Other Revenues	111,389	49,793
Total Revenues	<u>\$ 3,600,701</u>	<u>\$ 3,225,893</u>
Expenses		
General Government	\$ 1,108,095	\$ 1,063,626
Roads and Bridges	319,820	487,970
Justice System	214,997	322,367
Public Safety	558,776	560,462
Public Health and Welfare	70,526	69,933
Culture and Recreation	225,523	230,372
Total Expenses	<u>\$ 2,497,737</u>	<u>\$ 2,734,730</u>
Change in Net Position	\$ 1,102,964	\$ 491,163
Net Position - Beginning	4,662,554	4,171,391
Prior Period Adjustments	<u>(166,013)</u>	<u>0</u>
Net Position - Ending	<u>\$ 5,599,505</u>	<u>\$ 4,662,554</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**Financial Analysis of the County's Funds**

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$3,870,522, an increase of \$223,099 or 6% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,532,243. All of this balance is unassigned.

Special Revenue Funds \$1,338,279. All of these balances are committed to special programs.

General Fund Budget

The original budget for the General Fund was \$2,183,214, and the final amended budget was \$2,193,197 which represents a \$9,983 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 30 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$2,041,058 for the fiscal year 2017, which is a decrease of \$152,139 from the fiscal year 2016.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2016.

Long-Term Debt - The County had no long-term debt outstanding.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Roy Blair, County Judge, County of Coke, 13 East 7th Street, Robert Lee, TX 76945.

Basic Financial Statements

COUNTY OF COKE
Statement of Net Position - Modified Cash Basis
September 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,481,209
Due from State	350,436
Due from Fiduciary Funds	38,877
Capital Assets (Net of Accumulated Depreciation):	
Land	15,000
Buildings and Improvements	448,746
Machinery and Equipment	634,737
Construction in Progress	<u>630,500</u>
 Total Assets	 <u>\$ 5,599,505</u>
<u>LIABILITIES</u>	
None	<u>\$ 0</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,728,983
Unrestricted	<u>3,870,522</u>
 Total Net Position	 <u><u>\$ 5,599,505</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Statement of Activities - Modified Cash Basis
Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General Government	\$ 1,108,095	\$ 160,253	\$ 37,200	\$ 0	\$ (910,642)
Roads and Bridges.	319,820	241,193	0	504,400	425,773
Justice System	214,997	150,098	30,854	0	(34,045)
Public Safety	558,776	5,299	11,000	0	(542,477)
Public Health and Welfare	70,526	31,961	6,292	0	(32,273)
Culture and Recreation	225,523	16,036	0	0	(209,487)
Total Governmental Activities	<u>\$ 2,497,737</u>	<u>\$ 604,840</u>	<u>\$ 85,346</u>	<u>\$ 504,400</u>	<u>\$ (1,303,151)</u>
General Revenues:					
Property Taxes - Maintenance and Operations					\$ 2,279,437
Investment Earnings					15,289
Miscellaneous					19,991
Disposal of Assets					91,398
Total General Revenues					<u>\$ 2,406,115</u>
Change in Net Position					\$ 1,102,964
Net Position - Beginning					4,662,554
Prior Period Adjustments					<u>(166,013)</u>
Net Position - Ending					\$ 5,599,505

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2016

	General	Road and Bridge	County TIF Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,156,922	\$ 1,171,283	\$ 0	\$ 153,004	\$ 3,481,209
Due from Other Funds	375,936	10,556	0	3,436	389,928
Due from State	0	0	350,436	0	350,436
Total Assets	<u>\$ 2,532,858</u>	<u>\$ 1,181,839</u>	<u>\$ 350,436</u>	<u>\$ 156,440</u>	<u>\$ 4,221,573</u>
LIABILITIES					
Due to Other Funds	\$ 615	\$ 0	\$ 350,436	\$ 0	\$ 351,051
FUND BALANCES					
Committed Fund Balance:					
Special Revenue Funds	\$ 0	\$ 1,181,839	\$ 0	\$ 156,440	\$ 1,338,279
Unassigned Fund Balance	<u>2,532,243</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,532,243</u>
Total Fund Balances	<u>\$ 2,532,243</u>	<u>\$ 1,181,839</u>	<u>\$ 0</u>	<u>\$ 156,440</u>	<u>\$ 3,870,522</u>
Total Liabilities and Fund Balances	<u>\$ 2,532,858</u>	<u>\$ 1,181,839</u>	<u>\$ 350,436</u>	<u>\$ 156,440</u>	<u>\$ 4,221,573</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position - Modified Cash Basis
September 30, 2016

Total Fund Balances - Governmental Funds	\$ 3,870,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	1,015,131
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	1,029,601
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as other revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets.	(20,402)
The net effect of a prior period adjustment related to capital assets that were not deemed owned by the County is to decrease net position.	(172,360)
Depreciation is not recognized as an expense 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.	<u>(122,987)</u>
Net Position of Governmental Activities	<u>\$ 5,599,505</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
Year Ended September 30, 2016

	General	Road and Bridge	County TIF Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,695,745	\$ 583,692	\$ 0	\$ 0	\$ 2,279,437
Fees	211,088	241,193	0	36,029	488,310
Fines	100,154	0	0	0	100,154
Intergovernmental	85,346	0	504,400	16,376	606,122
Interest	14,045	1,052	0	192	15,289
Miscellaneous	19,181	186	0	624	19,991
Total Revenues	<u>\$ 2,125,559</u>	<u>\$ 826,123</u>	<u>\$ 504,400</u>	<u>\$ 53,221</u>	<u>\$ 3,509,303</u>
EXPENDITURES					
Current:					
General Government	\$ 900,419	\$ 164,361	\$ 0	\$ 19,849	\$ 1,084,629
Roads and Bridges	0	630,075	504,400	12,885	1,147,360
Justice System	206,348	0	0	8,649	214,997
Public Safety	557,173	0	0	0	557,173
Public Health and Welfare	70,526	0	0	0	70,526
Culture and Recreation	213,028	0	0	4,838	217,866
Total Expenditures	<u>\$ 1,947,494</u>	<u>\$ 794,436</u>	<u>\$ 504,400</u>	<u>\$ 46,221</u>	<u>\$ 3,292,551</u>
Net Change in Fund Balances	\$ 178,065	\$ 31,687	\$ 0	\$ 7,000	\$ 216,752
Fund Balances - Beginning	2,347,831	1,150,152	0	149,440	3,647,423
Prior Period Adjustment	6,347	0	0	0	6,347
Fund Balances - Ending	<u>\$ 2,532,243</u>	<u>\$ 1,181,839</u>	<u>\$ 0</u>	<u>\$ 156,440</u>	<u>\$ 3,870,522</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
Year Ended September 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 216,752
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	1,029,601
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as other revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets.	(20,402)
Depreciation is not recognized as an expense 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.	<u>(122,987)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,102,964</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
September 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 237,730
Total Assets	<u>\$ 237,730</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 38,877
Due to Other Governments	68,966
Due to Others	<u>129,887</u>
Total Liabilities	<u>\$ 237,730</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF COKE
Notes to the Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Coke, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Coke, Texas, was organized by an Act of the Texas Legislature in 1889. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Measurement Focus - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

County Transportation Infrastructure Grant Fund - This Fund is a special revenue fund and is used to account for grant revenues for road infrastructure improvements.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	12-30
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation and sick leave do not accumulate or vest. Employees are not paid for unused vacation or sick leave upon separation from service.

G. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets.

H. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Fund Balances - Continue

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

I. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County 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.

Property taxes are recognized as revenues when they are collected.

J. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2016, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
County TIF Grant	\$ 350,436	\$ 0	
Nonmajor Governmental Funds	0	615	Current Operations
Fiduciary Funds	<u>25,500</u>	<u>0</u>	Unremitted Fees
	<u>\$ 375,936</u>	<u>\$ 615</u>	
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 10,556</u>	<u>\$ 0</u>	Unremitted Fees
County TIF Grant			
General Fund	<u>\$ 0</u>	<u>\$ 350,436</u>	Current Operations
Nonmajor Governmental Funds			
General Fund	\$ 615	\$ 0	Current Operations
Fiduciary Funds	<u>2,821</u>	<u>0</u>	Unremitted Fees
	<u>\$ 3,436</u>	<u>\$ 0</u>	
Fiduciary Funds			
General Fund	\$ 0	\$ 25,500	Unremitted Fees
Road and Bridge Fund	0	10,556	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>2,821</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 38,877</u>	
Totals	<u>\$ 389,928</u>	<u>\$ 389,928</u>	

All amounts due are expected to be repaid within one year.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Buildings and Improvements	1,992,684	10,921	0	2,003,605
Machinery and Equipment	1,881,453	388,180	317,639	1,951,994
Construction in Progress	172,360	630,500	172,360	630,500
Total Capital Assets	<u>\$ 4,061,497</u>	<u>\$ 1,029,601</u>	<u>\$ 489,999</u>	<u>\$ 4,601,099</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,519,671)	\$ (35,188)	\$ 0	\$ (1,554,859)
Machinery and Equipment	<u>(1,526,695)</u>	<u>(87,799)</u>	<u>(297,237)</u>	<u>(1,317,257)</u>
Total Accumulated Depreciation	<u>\$ (3,046,366)</u>	<u>\$ (122,987)</u>	<u>\$ (297,237)</u>	<u>\$ (2,872,116)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,015,131</u>	<u>\$ 906,614</u>	<u>\$ 192,762</u>	<u>\$ 1,728,983</u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 23,466
Roads and Bridges	53,600
Public Safety	27,343
Culture and Recreation	<u>18,578</u>
Total	<u>\$ 122,987</u>

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION

A. Defined Benefit Pension 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 statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits 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.

Funding Policy - The employer 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 14.02% for the months of the accounting year in 2015 and 13.93% for the months of the accounting year in 2016.

The deposit rate payable by the employee members for calendar year 2016 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2015 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2015 Summary Valuation Report for further details.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Long-Term Expected Rate of Return - 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 2016 information for a 7-10 year time horizon.

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)⁽²⁾</u>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (Net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (Net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (Net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

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

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6% per 2016 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's 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 COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits 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 of the employer 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 for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) - The following presents the increases/(decreases) in net pension liability/(asset):

Changes in the Net Pension Liability/(Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance as of December 31, 2014	\$ 5,549,188	\$ 5,223,550	\$ 325,638
Changes for the Year:			
Service Cost	\$ 133,849	\$ 0	\$ 133,849
Interest on Total Pension Liability ⁽¹⁾	447,861	0	447,861
Effect of Plan Changes ⁽²⁾	(108)	0	(108)
Effect of Economic/Demographic Gains or Losses	(75,556)	0	(75,556)
Effect of Assumptions Changes or Inputs	68,101	0	68,101
Refund of Contributions	(17,188)	(17,188)	0
Benefit Payments	(225,541)	(225,541)	0
Administrative Expenses	0	(3,757)	3,757
Member Contributions	0	74,141	(74,141)
Net Investment Income	0	34,413	(34,413)
Employer Contributions	0	148,493	(148,493)
Other ⁽³⁾	0	3,366	(3,366)
Net Changes	\$ 331,418	\$ 13,927	\$ 317,491
Balance as of December 31, 2015	\$ 5,880,606	\$ 5,237,477	\$ 643,129

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

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

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

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 6,506,298	\$ 5,880,606	\$ 5,344,403
Fiduciary Net Position	<u>5,237,477</u>	<u>5,237,477</u>	<u>5,237,477</u>
Net Pension Liability/(Asset)	<u>\$ 1,268,821</u>	<u>\$ 643,129</u>	<u>\$ 106,926</u>

Pension Expense/Income - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2015 to December 31, 2015</u>
Service Cost	\$ 133,849
Interest on Total Pension Liability ⁽¹⁾	447,861
Effect of Plan Changes	(108)
Administrative Expenses	3,757
Member Contributions	(74,141)
Expected Investment Return Net of Investment Expenses	(426,051)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(44,585)
Recognition of Assumption Changes or Inputs	22,700
Recognition of Investment Gains or Losses	91,073
Other ⁽²⁾	<u>(3,366)</u>
Total Pension Expense (Income)	<u>\$ 150,989</u>

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

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

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Inflows/Deferred Outflows of Resources - As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 69,769	\$ -
Changes in Assumptions	-	45,401
Net Differences Between Projected and Actual Earnings	-	351,547
Contributions Made Subsequent to Measurement Date ⁽³⁾	<u>-</u>	<u>102,513</u>
Totals	<u>\$ 69,769</u>	<u>\$ 499,461</u>

(3) Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ 69,189
2017	88,588
2018	91,073
2019	78,329
2020	0
Thereafter ⁽⁴⁾	0

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Schedule of Deferred Inflows and Outflows of Resources - The following presents the components of deferred inflows and outflows of resources:

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period⁽¹⁾</u>	<u>Amount Recognized in 12/31/15 Expense⁽¹⁾</u>	<u>Balance of Deferred Inflows 12/31/15</u>	<u>Balance of Deferred Outflows 12/31/15</u>
Investment (Gains) or Losses						
	\$ 391,638	12/31/15	5	\$ 78,328	\$ -	\$ 313,310
	63,727	12/31/14	5	12,745	-	38,236
Economic/Demographic (Gains) or Losses						
	(75,555)	12/31/15	3	(25,185)	50,370	-
	(58,198)	12/31/14	3	(19,399)	19,399	-
Assumption Changes or Inputs						
	68,101	12/31/15	3	22,700	-	45,401
	-	12/31/14	3	-	-	-
Employer Contributions Made Subsequent to Measurement Date ⁽²⁾						102,513

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/ demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

B. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liabilities other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

COUNTY OF COKE
Notes to the Financial Statements - Continued
September 30, 2016

IV. OTHER INFORMATION - Continued

B. Self-Insurance - Continued

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and employee crime.

The County self-insures the physical damage portion of all heavy equipment in the Road and Bridge Departments.

C. Adjustments to Net Position/Fund Balance

The financial statements reflect the following prior period adjustments:

	Net Position Statement of Activities	Fund Balances Governmental Funds
General Fund		
Removal of Capital Assets	\$ (172,360)	\$ 0
Water Supply District - TDA Reimbursement	<u>6,347</u>	<u>6,347</u>
Total General Fund	<u><u>\$ (166,013)</u></u>	<u><u>\$ 6,347</u></u>

D. Other Information

During the fiscal year ended September 30, 2013, the owners of the Coke County Juvenile Justice Center donated the land, building, and equipment of the facility to the County. The facility is presently not being utilized in any capacity. The land, building, and equipment had a tax appraisal value of \$3,263,190 at the time of the donation.

E. Subsequent Events

The County's management has evaluated subsequent events through January 6, 2017, the date which the financial statements were available for issue.

Other Information

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COUNTY OF COKE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
General Fund
Year Ended September 30, 2016

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 1,713,922	\$ 1,713,922	\$ 1,695,745	\$ (18,177)
Fees	238,164	238,164	211,088	(27,076)
Fines	98,195	98,195	100,154	1,959
Intergovernmental	75,433	75,433	85,346	9,913
Interest	6,700	6,700	14,045	7,345
Miscellaneous	50,800	50,800	19,181	(31,619)
Total Revenues	\$ 2,183,214	\$ 2,183,214	\$ 2,125,559	\$ (57,655)
EXPENDITURES				
Current:				
General Government	\$ 990,564	\$ 990,158	\$ 900,419	\$ 89,739
Justice System	310,318	310,318	206,348	103,970
Public Safety	586,372	586,372	557,173	29,199
Public Health and Welfare	77,697	81,165	70,526	10,639
Culture and Recreation	218,263	225,184	213,028	12,156
Total Expenditures	\$ 2,183,214	\$ 2,193,197	\$ 1,947,494	\$ 245,703
Net Change in Fund Balances	\$ 0	\$ (9,983)	\$ 178,065	\$ 188,048
Fund Balances - Beginning	2,347,831	2,347,831	2,347,831	0
Prior Period Adjustment	0	0	6,347	6,347
Fund Balances - Ending	\$ 2,347,831	\$ 2,337,848	\$ 2,532,243	\$ 194,395

COUNTY OF COKE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
Road and Bridge Fund
Year Ended September 30, 2016

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 590,220	\$ 590,220	\$ 583,692	\$ (6,528)
Fees	229,000	229,000	241,193	12,193
Interest	1,400	1,400	1,052	(348)
Miscellaneous	200	200	186	(14)
Total Revenues	\$ 820,820	\$ 820,820	\$ 826,123	\$ 5,303
EXPENDITURES				
Current:				
General Government	\$ 179,017	\$ 173,816	\$ 164,361	\$ 9,455
Roads and Bridges				
Precinct Number One	162,263	162,263	127,801	34,462
Precinct Number Two	162,016	245,717	217,568	28,149
Precinct Number Three	160,435	160,435	98,178	62,257
Precinct Number Four	157,089	236,089	186,528	49,561
Total Expenditures	\$ 820,820	\$ 978,320	\$ 794,436	\$ 183,884
Net Change in Fund Balance	\$ 0	\$ (157,500)	\$ 31,687	\$ 189,187
Fund Balance - Beginning	1,150,152	1,150,152	1,150,152	0
Fund Balance - Ending	\$ 1,150,152	\$ 992,652	\$ 1,181,839	\$ 189,187

COUNTY OF COKE
Schedule of Changes in Net Pension Liability and Related Ratios -
Texas County & District Retirement System
Year Ended September 30, 2016

	Year Ended December 31,	
	2015	2014
Total Pension Liability		
Service Cost	\$ 133,849	\$ 131,364
Interest on Total Pension Liability	447,861	424,990
Effect of Plan Changes	(108)	0
Effect of Assumptions Changes or Inputs	68,101	0
Effect of Economic/Demographic (Gains) or Losses	(75,556)	(58,198)
Benefit Payments/Refunds of Contributions	<u>(242,729)</u>	<u>(257,687)</u>
Net Change in Total Pension Liability	\$ 331,418	\$ 240,469
Total Pension Liability, Beginning	<u>5,549,188</u>	<u>5,308,719</u>
Total Pension Liability, Ending	<u>\$ 5,880,606</u>	<u>\$ 5,549,188</u>
Fiduciary Net Position		
Employer Contributions	\$ 148,493	\$ 155,414
Member Contributions	74,141	74,924
Investment Income Net of Investment Expenses	34,413	339,271
Benefit Payments/Refunds of Contributions	(242,729)	(257,687)
Administrative Expenses	(3,757)	(3,920)
Other	<u>3,366</u>	<u>(52,336)</u>
Net Change in Fiduciary Net Position	\$ 13,927	\$ 255,666
Fiduciary Net Position, Beginning	<u>5,223,550</u>	<u>4,967,884</u>
Fiduciary Net Position, Ending	<u>\$ 5,237,477</u>	<u>\$ 5,223,550</u>
Net Pension Liability/(Asset), Ending	<u>\$ 643,129</u>	<u>\$ 325,638</u>
Fiduciary Net Position as a % of Total Pension Liability	89.06%	94.13%
Pensionable Covered Payroll	\$ 1,059,151	\$ 1,070,346
Net Pension Liability as a % of Covered Payroll	60.72%	30.42%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown.

COUNTY OF COKE
Schedule of Employer Contributions -
Texas County & District Retirement System
Year Ended September 30, 2016

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2006	\$ 77,353	\$ 77,353	\$ 0	\$ 774,309	10.0%
2007	85,063	85,063	0	827,460	10.3%
2008	97,131	97,131	0	913,744	10.6%
2009	118,712	118,712	0	965,923	12.3%
2010	117,389	125,774	(8,385)	974,992	12.9%
2011	133,533	133,533	0	1,020,117	13.1%
2012	143,212	143,212	0	1,029,558	13.9%
2013	145,254	147,364	(2,110)	1,055,625	14.0%
2014	155,414	155,414	0	1,070,346	14.5%
2015	148,493	148,493	0	1,059,151	14.0%

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

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

COUNTY OF COKE
Notes to the Other Information
September 30, 2016

Note A - Net Pension Liability

Changes in Benefit Terms

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

Changes of Assumptions

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of Economic/ Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Supplementary Information

COUNTY OF COKE
Schedule of Certificates of Deposit
Governmental Funds
September 30, 2016

<u>Description</u>	<u>Identifying Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
Certificates of Deposit				
Robert Lee State Bank	17593	0.55	07-24-17	\$ 508,809
Robert Lee State Bank	17599	0.55	08-02-17	462,277
Robert Lee State Bank	17630	0.55	04-07-17	506,026
Robert Lee State Bank	17676	0.50	06-24-17	145,552
FNB Sterling City	3301005	0.50	02-24-17	145,552
FNB Sterling City	3301005	0.55	03-16-17	516,570
Clerk Records Management Fund				
Certificate of Deposit				
Robert Lee State Bank	17715	0.55	08-02-17	5,000
Archives Fund				
Certificate of Deposit				
Robert Lee State Bank	17716	0.55	08-02-17	<u>10,000</u>
Total Governmental Funds				<u><u>\$ 2,299,786</u></u>

COMPLIANCE AND INTERNAL CONTROLS SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

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 County Judge
and Commissioners' Court
County of Coke
13 East 7th Street
Robert Lee, TX 76945

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 County of Coke, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Honorable County Judge
and Commissioners' Court
Page 2

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal

Eckert & Company, LLP

January 6, 2017