

NOLAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court
Nolan County, Texas

Report of the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2016, and the respective changes in financial position 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 required supplementary information on pages 24 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 January 13, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nolan County's internal control over financial reporting and compliance.

Dennis Kenard & Co., PC
Certified Public Accountants

Abilene, Texas
January 13, 2017

NOLAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nolan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

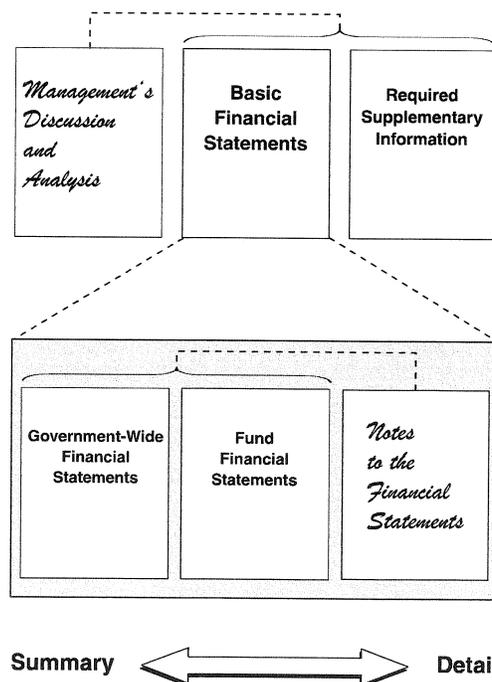
- Nolan County's total combined net position was \$17 million at September 30, 2016. Of this amount, \$11.6 million (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$2 million less than the \$13 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$10 million. All \$10 million is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The *Governmental Funds* statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary Fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

| MAJOR FEATURES OF THE COUNTY’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS | | | |
|---|--|---|---|
| Type of Statement | Government-Wide | Governmental Funds | Fiduciary Funds |
| Scope | Entire County’s government (except fiduciary funds). | The activities of the County that are not proprietary or fiduciary | Instances in which the County is the trustee or agent for someone else’s resources |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in position and liabilities |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual basis accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can |
| Type of flow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid |

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Nolan County’s finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 1) presents information on all of Nolan 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 Nolan County’s financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 2) 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.

Both of these government-wide financial statements distinguish functions of Nolan 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, farm to market roads, health and welfare, economic development, culture and recreation. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Nolan 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. Nolan 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 two 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 4 and 6 of the basic financial statements section.

The County maintains eighteen individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, the Farm to Market Fund, Debt Service and the Capital Projects Fund because these funds are considered to be major funds. Individual fund data for each of the ten 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 statements have been provided on Pages 24 and 25 to demonstrate compliance with this budget.

- **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 found on page 7. 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

Nolan County's combined net position was approximately \$17 million at September 30, 2016. The largest portion of the County's net position reflects its investments, cash and accounts receivable, with the remainder reported as net investment in capital assets.

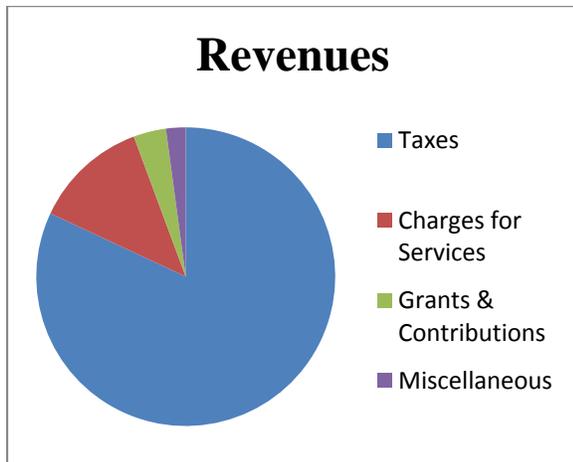
In accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, resulting in the County recording its proportionate share of the net pension liability of \$2,301,865, deferred inflows of \$110,362 and deferred outflows of resources of \$1,624,956. See Note 8 for further information.

**Table A-1
Nolan County's Net Position**

| | Governmental Activities | |
|----------------------------------|-------------------------|----------------------|
| | 2016 | 2015 |
| Current and Other Assets | \$ 12,175,126 | \$ 11,081,618 |
| Restricted assets | 2,721,894 | 1,191,165 |
| Capital and Non-current Assets | <u>19,732,715</u> | <u>18,162,309</u> |
| Total Assets | <u>34,629,735</u> | <u>30,435,092</u> |
| Deferred Outflows | <u>1,624,956</u> | <u>528,419</u> |
| Current Liabilities | 91,054 | 115,887 |
| Long Term Liabilities | <u>19,086,517</u> | <u>16,360,682</u> |
| Total Liabilities | <u>19,177,571</u> | <u>16,476,569</u> |
| Deferred Inflows | <u>110,362</u> | <u>-</u> |
| Net Investment in Capital Assets | 4,562,394 | 3,263,981 |
| Restricted | 1,238,398 | 1,247,070 |
| Unrestricted | <u>11,165,966</u> | <u>9,975,891</u> |
| Total Net Position | <u>\$ 16,966,758</u> | <u>\$ 14,486,942</u> |

Changes in Net Position—Nolan County's net position increased by approximately \$3 million during the current fiscal year.

**Figure A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2015**



Governmental Activities—Total revenues for the fiscal year ending September 30, 2016 were \$13 million. Approximately 82% of the County's revenue comes from various taxes. Property tax revenue decreased 2.2%. Charges for services were 12%, operating grants and contributions at 4% and capital grants and contributions at 1%. Earnings from investments were less than 1%.

Expenses increased by \$900 thousand or 9% from the prior year.

Table A-2
Nolan County's Changes in Net Position

| | Governmental Activities | | % Increase/ Decrease |
|--|-------------------------|---------------|-------------------------|
| | 2016 | 2015 | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 1,598,822 | \$ 1,394,648 | 14.6% |
| Operating Grants and Contributions | 328,190 | 295,884 | 10.9% |
| Capital Grants and Contributions | 139,354 | 219,307 | -36.5% |
| General Revenues | | | |
| Property Taxes | 10,552,107 | 10,786,536 | -2.2% |
| Other Taxes | 340,164 | 322,050 | 5.6% |
| Investment Earnings | 94,173 | 87,064 | 8.2% |
| Miscellaneous | 237,540 | 106,189 | 123.7% |
| Total Revenues | 13,290,350 | 13,211,678 | 0.6% |
| Expenses | | | |
| General Government | 1,672,913 | 1,662,406 | 0.6% |
| Judicial Administration | 1,126,254 | 1,123,332 | 0.3% |
| Legal | 456,591 | 456,261 | 0.1% |
| Financial Administration | 541,333 | 534,006 | 1.4% |
| Public Facilities | 721,215 | 622,496 | 15.9% |
| Public Safety | 3,128,592 | 2,464,586 | 26.9% |
| Farm to Market | 1,862,720 | 1,828,366 | 1.9% |
| Health and Welfare | 626,617 | 569,453 | 10.0% |
| Extension Service | 130,275 | 124,828 | 4.4% |
| Debt Interest and Fees | 308,103 | 323,463 | -4.7% |
| Museum and Library - Intergovernmental | 235,921 | 177,914 | 32.6% |
| Total Expenses | 10,810,534 | 9,887,111 | 9.3% |
| Change in Net Position | 2,479,816 | 3,324,567 | -25.4% |
| Beginning Net Position, partially restated | 14,486,942 | 11,162,375 | 29.8% |
| Ending Net Position | \$ 16,966,758 | \$ 14,486,942 | 17.1% |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Nolan County's governmental funds reported a combined fund balance of \$14 million, an increase of \$3 million in comparison with the prior year. Approximately 72% of this total amount (\$10 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted by legislation and bonds, assigned for specific purposes, and for retirement of long-term debt.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$10 million, the total fund balance 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 126% of total General Fund expenditures.

Nolan County’s’ General Fund balance increased by \$1 million during the current fiscal year. A key factor in this increase was an increase in tax revenue and operating grants and contributions.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$554 thousand under final budgeted amounts, with general government and public safety coming in under budget \$270 thousand and \$73 thousand, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2016, the County had invested \$20 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements, depreciation and adjustments) of \$1.6 million, or 9% over last year.

Major events affecting capital assets during the year were:

- Renovation of Nolan County Coliseum
- Machinery and equipment for Farm to Market
- New vehicles and equipment for the Sheriff’s Department.

More detailed information about the County’s capital assets can be found in Note 4.

**Table A-3
Nolan County’s Capital Assets**

| | Governmental Activities | |
|--------------------------------|-------------------------|----------------------|
| | 2016 | 2015 |
| Land | \$ 113,975 | \$ 113,975 |
| Construction in Progress | 1,428,080 | - |
| Buildings and Improvements | 21,137,504 | 20,556,872 |
| Furniture and Equipment | 6,778,023 | 6,294,117 |
| Total capital assets | <u>29,457,582</u> | <u>26,964,964</u> |
| Less: Accumulated Depreciation | <u>(9,724,867)</u> | <u>(8,802,655)</u> |
| Net Capital Assets | <u>\$ 19,732,715</u> | <u>\$ 18,162,309</u> |

Long Term Debt—At the end of the year, the County had \$17 million in outstanding debt.

**Table A-4
The County’s Long Term Debt**

| | Governmental Activities | |
|-----------------------------|-------------------------|----------------------|
| | 2015 | 2014 |
| Bonds payable | \$ 15,755,000 | \$ 13,980,000 |
| Notes payable | 345,170 | 265,069 |
| Bond premium | 598,821 | 653,259 |
| Compensated absences | 85,661 | 64,438 |
| Total long-term debt | \$ 16,784,652 | \$ 14,962,766 |

During the year, Nolan County’s debt increased by \$2 million. The State limits the amount of general obligation debt that a County can issue up to 25% of its total assessed valuation.

More detailed information about the County’s long term liabilities can be found Note 6.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The appraised value used for the 2017 budget preparation is estimated to be down \$73 million or .038571 from 2016.
- The M&O tax rate established for 2017 General Fund and Farm to Market is \$.499389, an increase of \$.023558 from 2016. The I&S tax rate for 2017 Debt Service Fund is \$.067067.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2017 fiscal year.

Amounts available for appropriation in the General Fund budget are \$8,877,920, an increase of .028611 over the 2016 budget of \$8,623,915. Property taxes, Boarding Prisoners, & an increase in JP Fees & Fines are expected to lead to this increase.

Budgeted expenditures are expected to increase approximately .036275 to \$8,805,084. The largest increments are increases in salary raises, additional personnel, & liability/property/health insurance. The County has added no major new programs or initiatives to the 2017 budget.

If these estimates are realized, the County’s budgetary General Fund balance is expected to increase.

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 Nolan 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 Nolan County Auditor, 100 E. 3rd Street, Suite 102, Sweetwater, Texas 79556.

BASIC FINANCIAL STATEMENTS

NOLAN COUNTY, TEXAS
Statement of Net Position
September 30, 2016

Exhibit A-1

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 10,739,336 |
| Investments | 5,669 |
| Receivables (net of allowance for uncollectible) | 1,409,473 |
| Prepaid bond insurance | 20,648 |
| Restricted assets | |
| Cash and cash equivalents | 2,720,768 |
| Investments | 1,126 |
| Capital assets | |
| Nondepreciable | 1,542,055 |
| Depreciable, net | 18,190,660 |
| Total assets | 34,629,735 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows - pensions | 1,624,956 |
| Total deferred outflows of resources | 1,624,956 |
| LIABILITIES | |
| Accounts payable | 54,711 |
| Accrued interest payable | 36,343 |
| Noncurrent liabilities | |
| Due within one year | 1,453,592 |
| Due in more than one year | 15,331,060 |
| Net pension liability | 2,301,865 |
| Total liabilities | 19,177,571 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows - pensions | 110,362 |
| Total deferred inflows of resources | 110,362 |
| NET POSITION | |
| Net investment in capital assets | 4,562,394 |
| Restricted for long-term debt | 806,848 |
| Restricted for other purposes | 431,550 |
| Unrestricted | 11,165,966 |
| Total net position | \$ 16,966,758 |

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

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

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | |
|---------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities | | | | |
| General government | \$ 1,672,913 | \$ 269,239 | \$ 176,681 | - |
| Judicial | 1,126,254 | 338,619 | 46,666 | 25,000 |
| Legal | 456,591 | 393,371 | 45,233 | - |
| Financial administration | 541,333 | 50,755 | - | - |
| Public facilities | 721,215 | - | - | - |
| Public safety | 3,128,592 | 41,282 | - | - |
| Farm to market | 1,862,720 | 505,556 | 59,610 | 114,354 |
| Health and welfare | 626,617 | - | - | - |
| Extension service | 130,275 | - | - | - |
| Debt interest | 308,103 | - | - | - |
| Fiscal agent's fees | 44,800 | - | - | - |
| Intergovernmental | 191,121 | - | - | - |
| Total governmental activities | <u>10,810,534</u> | <u>1,598,822</u> | <u>328,190</u> | <u>139,354</u> |
| TOTAL PRIMARY GOVERNMENT | <u>10,810,534</u> | <u>1,598,822</u> | <u>328,190</u> | <u>139,354</u> |

General Revenues
Property taxes, levied for general purposes
Property taxes, levied for farm to market
Property taxes, levied for debt service
Hotel/Motel Tax
Other taxes
Miscellaneous revenue
Gain on sale of assets
Investment earnings
Total general revenues

CHANGE IN NET POSITION

NET POSITION, BEGINNING

NET POSITION, ENDING

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

| Net (Expense) Revenue and Changes in Net Assets | |
|--|----------------------|
| Primary Government | |
| Governmental Activities | Total |
| \$ (1,226,993) | \$ (1,226,993) |
| (715,969) | (715,969) |
| (17,987) | (17,987) |
| (490,578) | (490,578) |
| (721,215) | (721,215) |
| (3,087,310) | (3,087,310) |
| (1,183,200) | (1,183,200) |
| (626,617) | (626,617) |
| (130,275) | (130,275) |
| (308,103) | (308,103) |
| (44,800) | (44,800) |
| (191,121) | (191,121) |
| <u>(8,744,168)</u> | <u>(8,744,168)</u> |
| <u>(8,744,168)</u> | <u>(8,744,168)</u> |
| 7,493,433 | 7,493,433 |
| 1,803,961 | 1,803,961 |
| 1,254,713 | 1,254,713 |
| 242,709 | 242,709 |
| 97,455 | 97,455 |
| 211,900 | 211,900 |
| 25,640 | 25,640 |
| 94,173 | 94,173 |
| <u>11,223,984</u> | <u>11,223,984</u> |
| 2,479,816 | 2,479,816 |
| <u>14,486,942</u> | <u>14,486,942</u> |
| <u>\$ 16,966,758</u> | <u>\$ 16,966,758</u> |

NOLAN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2016

| | General Fund | Farm to Market Fund |
|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 9,774,154 | \$ 932,603 |
| Investments | 3,373 | 2,296 |
| Taxes receivable (net of allowance for uncollectible) | 13,873 | 1,268 |
| Other receivables (net of allowance for uncollectible) | 1,079,399 | 269,759 |
| Restricted assets | | |
| Cash and cash equivalents | - | - |
| Investments | - | - |
| | <u> </u> | <u> </u> |
| Total assets | \$ <u>10,870,799</u> | \$ <u>1,205,926</u> |
| LIABILITIES | | |
| Accounts payable | \$ 50,910 | \$ 3,300 |
| | <u> </u> | <u> </u> |
| Total liabilities | 50,910 | 3,300 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | 13,873 | 1,268 |
| Unavailable fines and fees | 958,267 | - |
| Unavailable revenue - grants | - | 105,968 |
| | <u> </u> | <u> </u> |
| Total deferred inflows of resources | 972,140 | 107,236 |
| FUND BALANCES | | |
| Restricted fund balances: | | |
| Enabling legislation | - | - |
| Retirement of long-term debt | - | - |
| Construction | - | - |
| Assigned fund balances: | | |
| Farm to market | - | 1,095,390 |
| Capital projects | - | - |
| Other purposes | - | - |
| Unassigned fund balance | 9,847,749 | - |
| | <u> </u> | <u> </u> |
| Total fund balances | 9,847,749 | 1,095,390 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| | \$ <u>10,870,799</u> | \$ <u>1,205,926</u> |

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

| Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------|--------------------------|--------------------------------|--------------------------------|
| \$ - | \$ 4,014 | \$ 28,565 | \$ 10,739,336 |
| - | - | - | 5,669 |
| 4,194 | - | 40,980 | 60,315 |
| - | - | - | 1,349,158 |
| 163,629 | 1,528,670 | 1,028,469 | 2,720,768 |
| - | - | 1,126 | 1,126 |
| <u>\$ 167,823</u> | <u>\$ 1,532,684</u> | <u>\$ 1,099,140</u> | <u>\$ 14,876,372</u> |
| \$ - | \$ - | \$ 501 | \$ 54,711 |
| - | - | 501 | 54,711 |
| 4,194 | - | - | 19,335 |
| - | - | - | 958,267 |
| - | - | - | 105,968 |
| <u>4,194</u> | <u>-</u> | <u>-</u> | <u>1,083,570</u> |
| - | - | 431,550 | 431,550 |
| 163,629 | - | 639,025 | 802,654 |
| - | 1,528,670 | - | 1,528,670 |
| - | - | - | 1,095,390 |
| - | 4,014 | - | 4,014 |
| - | - | 28,064 | 28,064 |
| - | - | - | 9,847,749 |
| <u>163,629</u> | <u>1,532,684</u> | <u>1,098,639</u> | <u>13,738,091</u> |
| <u>\$ 167,823</u> | <u>\$ 1,532,684</u> | <u>\$ 1,099,140</u> | <u>\$ 14,876,372</u> |

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

Exhibit A-4

| | |
|---|----------------------|
| Total Fund Balances - Governmental Fund Balance Sheet | \$ 13,738,091 |
| <p>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p> | 19,732,715 |
| <p>Certain assets, such as property taxes receivable, grants and fees, are not available to pay for current-period expenditures and are therefore deferred inflows in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.</p> | 1,083,570 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. The net effect is a decrease in net position related to bonds payable (\$15,755,000), notes payable (\$345,170), bond premium (\$598,821), compensated absences (\$85,661), accrued interest payable (\$36,343), and increased by the prepaid bond insurance (\$20,648).</p> | (16,800,347) |
| <p>Included in the items related to debt is the recognition of the County's proportionate share of the net pension liability (\$2,301,865) and deferred inflows of resources (\$110,362) less deferred outflow of resources (\$1,624,956). The net effect is to decrease net position.</p> | <u>(787,271)</u> |
| Net Position of Governmental Activities- Statement of Net Position | <u>\$ 16,966,758</u> |

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

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

| | General Fund | Farm to Market Fund |
|--|---------------------|---------------------------|
| REVENUES | | |
| Property taxes | \$ 7,545,240 | \$ 1,813,322 |
| Hotel/Motel taxes | - | - |
| Other taxes | 97,455 | - |
| Licenses and permits | 56,515 | 350,550 |
| Intergovernmental revenue and grants | 268,580 | 67,996 |
| Fines and fees | 787,849 | 155,006 |
| Investment earnings | 62,719 | 6,712 |
| Rents and royalties | 15,186 | - |
| Other revenue | 139,306 | 15,372 |
| Total revenues | 8,972,850 | 2,408,958 |
| EXPENDITURES | | |
| Current | | |
| General government | 1,615,213 | - |
| Judicial | 1,109,275 | - |
| Legal | 429,032 | - |
| Financial administration | 548,436 | - |
| Public facilities | 513,571 | - |
| Public safety | 2,577,986 | - |
| Farm to market | - | 1,693,377 |
| Health and welfare | 626,617 | - |
| Extension service | 130,959 | - |
| Debt service | | |
| Debt principal | - | 128,899 |
| Interest expense | - | 8,322 |
| Fiscal agent's fees and other bond costs | - | - |
| Capital outlay | 60,848 | 402,546 |
| Intergovernmental | 191,121 | - |
| Total expenditures | 7,803,058 | 2,233,144 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | 1,169,792 | 175,814 |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds from long-term debt | - | 209,000 |
| Proceeds from the issuance of bonds | - | - |
| Proceeds from the sale of fixed assets | - | 20,000 |
| Transfers in | - | - |
| Transfers out | (145,454) | - |
| Total other financing sources (uses) | (145,454) | 229,000 |
| NET CHANGE IN FUND BALANCES | 1,024,338 | 404,814 |
| FUND BALANCES, BEGINNING | 8,823,411 | 690,576 |
| FUND BALANCES, ENDING | \$ 9,847,749 | \$ 1,095,390 |

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

| Debt Service Funds | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|--------------------------|--------------------------------|--------------------------------|
| \$ 1,261,420 | \$ - | \$ - | \$ 10,619,982 |
| - | - | 242,709 | 242,709 |
| - | - | - | 97,455 |
| - | - | - | 407,065 |
| - | - | - | 336,576 |
| - | - | 132,048 | 1,074,903 |
| 1,559 | 4,014 | 3,983 | 78,987 |
| - | - | - | 15,186 |
| - | - | 57,222 | 211,900 |
| <u>1,262,979</u> | <u>4,014</u> | <u>435,962</u> | <u>13,084,763</u> |
| - | - | 23,115 | 1,638,328 |
| - | - | 28,593 | 1,137,868 |
| - | - | 33,047 | 462,079 |
| - | - | - | 548,436 |
| - | - | - | 513,571 |
| - | - | 51,034 | 2,629,020 |
| - | - | - | 1,693,377 |
| - | - | - | 626,617 |
| - | - | - | 130,959 |
| 910,000 | - | 315,000 | 1,353,899 |
| 333,000 | - | 4,463 | 345,785 |
| 1,550 | 43,250 | - | 44,800 |
| - | 2,008,712 | 26,918 | 2,499,024 |
| - | - | - | 191,121 |
| <u>1,244,550</u> | <u>2,051,962</u> | <u>482,170</u> | <u>13,814,884</u> |
| <u>18,429</u> | <u>(2,047,948)</u> | <u>(46,208)</u> | <u>(730,121)</u> |
| - | - | - | 209,000 |
| - | 3,000,000 | - | 3,000,000 |
| - | - | 12,000 | 32,000 |
| - | 145,454 | - | 145,454 |
| - | - | - | (145,454) |
| <u>-</u> | <u>3,145,454</u> | <u>12,000</u> | <u>3,241,000</u> |
| 18,429 | 1,097,506 | (34,208) | 2,510,879 |
| <u>145,200</u> | <u>435,178</u> | <u>1,132,847</u> | <u>11,227,212</u> |
| <u>\$ 163,629</u> | <u>\$ 1,532,684</u> | <u>\$ 1,098,639</u> | <u>\$ 13,738,091</u> |

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

Exhibit A-6

| | |
|--|---------------------|
| Net Change in Fund Balances -Total Government Funds | \$ 2,510,879 |
| <p>Amounts reported for governmental activities in the statement of activities (A-5) are different because:</p> | |
| <p>Current year capital outlays are expenditures in the fund financial statements, but they 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.</p> | 2,499,024 |
| <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> | 25,000 |
| <p>Assets were disposed of that were not fully depreciated. Proceeds for those disposals is reduced by the net book value of those assets on the government-wide financial statements.</p> | (6,360) |
| <p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.</p> | (947,258) |
| <p>Issuance of notes payable and tax notes 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> | (3,209,000) |
| <p>Long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as decreases in long-term debt in the government-wide financial statements. The net effect of recording the current year principal payments is to increase net position.</p> | 1,353,899 |
| <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 share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to increase. The net effect is an decrease in net position.</p> | 83,226 |
| <p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p> | |
| Increase in unavailable revenue - property taxes | (67,875) |
| Decrease in unavailable fines and fees | 116,854 |
| Increase in unavailable revenue - grants | 105,968 |
| Decrease in prepaid bond insurance | (1,877) |
| Increase in accrued interest payable | (14,879) |
| Decrease in bond premium | 54,438 |
| Increase in compensated absences | (22,223) |
| Change in Net Position of Governmental Activities - Statement of Activities | \$ <u>2,479,816</u> |

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

NOLAN COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2016

Exhibit A-7

| | <u>Agency Funds</u> |
|---------------------------|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>813,402</u> |
| Total assets | \$ <u><u>813,402</u></u> |
| LIABILITIES | |
| Due to others | \$ <u>813,402</u> |
| Total liabilities | \$ <u><u>813,402</u></u> |

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

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Nolan County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's Basic Financial Statements.

A. Reporting Entity

The County's modified accrual financial statements include the cash accounts of all funds handled by the Office of the County Treasurer. The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services. The County operates under a county judge/commissioners' court type of government as provided for by state statute. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

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

• **Basis of Presentation**

Government-wide financial statements. The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct 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.

The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs 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.

Fund financial statements. The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The County reports the following major governmental funds:

General Fund. To account 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.

Farm to Market Fund. To account for proceeds of specific revenue sources that are legally restricted for expenditures for public transportation for County citizens

Capital Projects Fund. The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Debt Service Fund. This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

In addition, the County reports the following non-major fund types:

Governmental Funds:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Coliseum Debt Service Fund. This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Fund Types:

Trust and Agency Funds: To account for assets held by the County 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.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

- Measurement Focus and Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: The County prepares its governmental fund financial statements on the modified accrual basis of accounting using the current financial resources measurement focus. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

When the County incurs an expenditure or expenses for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

C. Assets, Liabilities, and Net Position or Equity

- Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

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. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

- **Capital Assets**

Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, vehicles, furniture and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

| | |
|------------------------------|----------------|
| Buildings | 20 to 30 years |
| Furniture and Equipment | 5 to 12 years |
| Vehicles and Heavy Equipment | 5 to 12 years |

- **Receivables and Payable 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 deferred revenue.

There are no significant receivables which are not scheduled for collection within one year of year end.

- **Compensated Absences**

A liability for accumulated unpaid annual leave for all full-time employees is calculated and reported in the government-wide statements.

Upon termination from employment by the County, accrued vacation leave may be paid but not to exceed the maximum vacation leave accrual which is fifteen days for employees with more than ten years of service. Unused sick leave is cancelable and will not be paid on termination, thus vacation time is the only accrued compensation liability recorded.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- **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, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for the differences between expected and actual experience related to its pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- **Fund Balance**

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The fund financial statements will present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). The County has not reported any amounts as nonspendable at September 30, 2016.

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The County reported the following restricted fund balances at September 30, 2016:

| | | |
|-----------------------|----|-------------------------|
| Debt Service Funds | \$ | 802,654 |
| Construction | | 1,528,670 |
| Records Management | | 159,830 |
| Courthouse Security | | 130,086 |
| Courthouse Technology | | 83,867 |
| Forfeiture Funds | | 57,767 |
| | \$ | <u><u>2,762,874</u></u> |

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (the County's highest level of decision-making authority). The County has not reported any amounts as committed at September 30, 2016.

Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. The County reported the following assigned fund balances at September 30, 2016:

| | | |
|------------------|----|-------------------------|
| Jury Fund | \$ | 4,763 |
| Law Library Fund | | 13,328 |
| Hot Check Fund | | 9,894 |
| D.A.R.E. Fund | | 79 |
| Farm to Market | | 1,095,390 |
| Capital Projects | | 4,014 |
| | \$ | <u><u>1,127,468</u></u> |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- Fund Balance - *continued*

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The County will maintain General fund unassigned fund balance at a level adequate to provide for unanticipated expenditures of a non-recurring nature and to meet unexpected increases in service delivery costs. The target level for General Fund unassigned fund balance will be three to six months of budgeted General Fund expenditures.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Quasi-external transactions are accounted for as revenues, expenditures, or expenses. 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, except quasi-external transactions and reimbursements, transactions are treated as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

All other interfund transfers are reported as operating transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Intergovernmental" line of the government-wide statement of net position.

- 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.

- 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.

- 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- Budgetary information

The County adopts an annual budget for the general fund and the farm to market fund consistent with generally accepted accounting principles. Budgetary control is maintained at the department level. Expenditures in the legal department exceeded budget amounts by \$2,222. Appropriations lapse at year end for general and special revenue funds.

- Fair Value Measurements

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

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

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

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

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

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

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

- Legal and contractual provisions governing deposits and 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 Federal Deposit Insurance Corporation ("FDIC") insurance.

The County's deposits as of September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

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.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 2: DEPOSITS AND INVESTMENTS – *continued*

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.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool’s Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

Investments held by the County at September 30, 2016 consisted of the following:

| Type of Investments | Fair Value | Credit Rating | Maturities Less Than One Year |
|----------------------------------|-----------------|------------------|----------------------------------|
| TexPool - investments | \$ 5,669 | AAAm | \$ 5,669 |
| TexPool - restricted investments | 1,126 | AAAm | 1,126 |
| Total investments | <u>\$ 6,795</u> | | <u>\$ 6,795</u> |

- Policies governing deposits and investments

In compliance with the Public Funds Investment Act, the County adopted a deposit and investment policy; however, that policy does not 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 was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2016 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

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

Other Credit Risk - There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. As of September 30, 2016 TexPool’s investments credit quality rating was AAAM (Standard & Poor’s).

TexPool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days. TexPool also seeks to maintain a constant dollar objective.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 2: DEPOSITS AND INVESTMENTS – *continued*

The County’s general policy is to report nonparticipating interest-earning investment contracts using a cost-based measure. The term “nonparticipating” means that the investment’s value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

NOTE 3: RECEIVABLES

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

| | <u>General Fund</u> | <u>Farm to Market Fund</u> | <u>Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------------|------------------------------------|------------------------------|---|---------------------|
| Receivables | | | | | |
| Taxes | \$ 258,503 | \$ 44,270 | \$ 27,287 | \$ 40,980 | \$ 371,040 |
| Other | <u>5,164,224</u> | <u>269,759</u> | <u>-</u> | <u>-</u> | <u>5,433,983</u> |
| Total gross receivables | 5,422,727 | 314,029 | 27,287 | 40,980 | 5,805,023 |
| Less: allowance for uncollectible | | | | | |
| Taxes | (244,630) | (43,002) | (23,093) | - | (310,725) |
| Other | <u>(4,084,825)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,084,825)</u> |
| Net total receivables | <u>\$ 1,093,272</u> | <u>\$ 271,027</u> | <u>\$ 4,194</u> | <u>\$ 40,980</u> | <u>\$ 1,409,473</u> |

NOTE 4: CAPITAL ASSETS

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

| | <u>Balance October 1, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance September 30, 2016</u> |
|---|--|---------------------|--------------------|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 113,975 | \$ - | \$ - | \$ 113,975 |
| Construction in progress | <u>-</u> | <u>1,428,080</u> | <u>-</u> | <u>1,428,080</u> |
| Total capital assets not being depreciated | <u>113,975</u> | <u>1,428,080</u> | <u>-</u> | <u>1,542,055</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 20,556,872 | 580,632 | | 21,137,504 |
| Furniture and equipment | <u>6,477,043</u> | <u>515,312</u> | <u>(214,332)</u> | <u>6,778,023</u> |
| Total capital assets being depreciated | <u>27,033,915</u> | <u>1,095,944</u> | <u>(214,332)</u> | <u>27,915,527</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,122,500) | (608,402) | | (4,730,902) |
| Furniture and equipment | <u>(4,863,081)</u> | <u>(338,856)</u> | <u>207,972</u> | <u>(4,993,965)</u> |
| Total accumulated depreciation | <u>(8,985,581)</u> | <u>(947,258)</u> | <u>207,972</u> | <u>(9,724,867)</u> |
| Governmental activities capital assets, net | <u>\$ 18,162,309</u> | <u>\$ 1,576,766</u> | <u>\$ (6,360)</u> | <u>\$ 19,732,715</u> |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 4: CAPITAL ASSETS – *continued*

Depreciation was allocated to the various functions based on the capital assets within each group as follows.

| | | |
|--------------------------------|--------|---------------------------|
| General government | \$ | 20,723 |
| Public facilities | | 212,042 |
| Public safety | | 531,372 |
| Farm to market | | <u>183,121</u> |
| Total depreciation expense | \$ | <u><u>947,258</u></u> |

NOTE 5: INTERFUND BALANCES AND ACTIVITY

There were no interfund receivables and payables at September 30, 2016.

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

| Transfers from | Transfers to | Amount | Purpose |
|----------------|-----------------------|--------------------------|---------------------------------|
| General fund | Capital projects fund | \$ <u>145,454</u> | Supplement other fund's sources |
| | Total | \$ <u><u>145,454</u></u> | |

NOTE 6: LONG-TERM OBLIGATIONS

- Notes payable

During the year ended September 30, 2013, the County entered into a note payable in the amount of \$225,000 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$48,480.89 and one payment of \$48,480.86 to be paid in annual payments, including interest. The term of the note is from 2013 to 2018.

During the year ended September 30, 2013, the County entered into a note payable the amount of \$206,500 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$44,494.68 and one payment of \$44,494.67 to be paid in annual payments, including interest. The term of the notes is from 2013 to 2018.

During the year ended September 30, 2016, the County entered into a note payable the amount of \$209,000 for the purchase of a John Deere 670 G Motor Grader. Interest is at a fixed rate of 2.5%. The County will make five payments of \$44,245.27 to be paid in annual payments, including interest. The term of the notes is from 2016 to 2020.

Note payable requirements are as follows:

| Year Ended September 30, | Total Principal | Total Interest | Total Requirement |
|-----------------------------|--------------------------|-------------------------|--------------------------|
| 2017 | \$ 128,592 | \$ 8,629 | \$ 137,221 |
| 2018 | 131,299 | 5,922 | 137,221 |
| 2019 | 42,113 | 2,132 | 44,245 |
| 2020 | <u>43,166</u> | <u>1,079</u> | <u>44,245</u> |
| | <u><u>\$ 345,170</u></u> | <u><u>\$ 17,762</u></u> | <u><u>\$ 362,932</u></u> |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 6: LONG-TERM OBLIGATIONS - *continued*

- Bonds payable

In April 2006, the County issued Certificates of Obligation in the amount of \$800,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

During the year ended September 30, 2013, the County issued General Obligation Bonds in the amount of \$15,210,000. The bonds are direct obligations of the County, payable from a continuing annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law.

The proceeds from the sale of the bonds were used for construction and equipping a new county jail and sheriff's department, including land located west of the city of Sweetwater, renovation and remediating the courthouse façade, and payment of professional services and cost of issuance related thereto.

During the year ended September 30, 2016, the County issued Tax Note Series 2016 in the amount of \$3,000,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

The following are Certificates of Obligation bond issues outstanding at September 30, 2016:

| | Interest Rate | Date of Issue | Date of Maturity | Bonds Outstanding |
|----------------------|------------------|------------------|---------------------|----------------------|
| GO Bonds Series 2012 | 2-3% | 2012 | 2028 | \$ 7,960,000 |
| GO Bonds Series 2013 | 2-3% | 2013 | 2028 | 4,795,000 |
| Tax Notes 2016 | 2.5% | 2016 | 2028 | 3,000,000 |

Debt service requirements are as follows:

| Year Ended September 30, | Total Principal | Total Interest | Total Requirement |
|-----------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,325,000 | \$ 399,871 | \$ 1,724,871 |
| 2018 | 1,365,000 | 355,738 | 1,720,738 |
| 2019 | 1,385,000 | 326,150 | 1,711,150 |
| 2020 | 1,420,000 | 295,975 | 1,715,975 |
| 2021 | 1,450,000 | 265,100 | 1,715,100 |
| 2022-2026 | 6,385,000 | 802,500 | 7,187,500 |
| 2027-2028 | 2,425,000 | 73,425 | 2,498,425 |
| Total | <u>\$ 15,755,000</u> | <u>\$ 2,518,759</u> | <u>\$ 18,273,759</u> |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 6: LONG-TERM OBLIGATIONS - *continued*

- Changes in long-term obligations

Long-term debt activity for the year ended September 30, 2016, was as follows:

| | Balance October 1, 2015 | Additions | Retirements | Balance September 30, 2016 | Due Within One Year |
|----------------------------------|-------------------------------|---------------------|---------------------|----------------------------------|------------------------|
| Governmental activities | | | | | |
| Bonds and notes payable | | | | | |
| Certificates of obligation bonds | \$ 315,000 | \$ - | \$ 315,000 | \$ - | \$ - |
| General obligation bonds | 13,665,000 | - | 910,000 | 12,755,000 | 930,000 |
| Tax Notes | - | 3,000,000 | - | 3,000,000 | 395,000 |
| Notes payable | 265,069 | 209,000 | 128,899 | 345,170 | 128,592 |
| Bond premium | 653,259 | - | 54,438 | 598,821 | - |
| Total bonds and leases payable | 14,898,328 | 3,209,000 | 1,408,337 | 16,698,991 | 1,453,592 |
| Other liabilities | | | | | |
| Net pension liability | 1,398,916 | 902,949 | - | 2,301,865 | - |
| Compensated absences | 63,438 | 22,223 | - | 85,661 | - |
| Total long-term obligations | \$ <u>16,360,682</u> | \$ <u>4,134,172</u> | \$ <u>1,408,337</u> | \$ <u>19,086,517</u> | \$ <u>1,453,592</u> |

NOTE 7: RISK MANAGEMENT

The County is exposed to various risks of loss related to group health coverage and torts (theft of, damage of, and destruction of assets; errors and omission; injuries to employee; and natural disasters).

Commercial insurance is purchased to cover liabilities associated with risks associated with torts whenever possible. There were no significant changes in coverage, retention, or limits during the year.

During the year ended September 30, 2016, employees of Nolan County were covered by a health insurance plan (the Plan). The county paid health insurance premiums of \$622.86 per month for employees only. The County also paid \$20.60 per month for employee dental care and \$2.03 per month for life insurance. Employees, at their option, authorized payroll to pay an additional cost for dependent coverage. All premiums were paid to a licensed insurer. This plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

During the year ended September 30, 2016, employees of the County were covered by a worker's compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$68,064 for the year ended September 30, 2016. These figures are subject to change based upon actual payroll figures.

NOTE 8: 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 state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 8: PENSION PLAN – *continued*

- **Benefits Provided**

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

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

- **Membership**

County membership in the TCDRS plan at December 31, 2015 consisted of the following:

| | |
|--|-----|
| Inactive Employee's Accounts: | |
| Receiving benefits | 69 |
| Entitled to but not yet receiving benefits | 39 |
| Total | 108 |
| Active Employees Accounts | 113 |

- **Contributions**

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

| Contribution Rates and Amounts | | | |
|--------------------------------|----|---------|------------|
| | | 2015 | 2016 |
| Member | | 7.0% | 7.0% |
| Employers | | 10.9% | 10.9% |
| Member Contributions | \$ | 284,161 | \$ 283,829 |
| Employer Contributions | \$ | 440,451 | \$ 507,565 |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 8: PENSION PLAN – *continued*

- Actuarial Assumptions

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

| | |
|---|--|
| Valuation Date | December 31, 2015 |
| Actuarial Cost Method | Entry age normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 14.5 years |
| Asset Valuation Method | 5 year smoothed market |
| Discount Rate | 8.10% |
| Long-term expected Investment Rate of Return* | 8.10% |
| Salary Increases* | 4.90%, average |
| Payroll Growth Rate | 1.50% |
| <i>*Includes Inflation of 3%</i> | |

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

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

- Discount Rate

The discount rate used to measure the total pension liability was 8.10% and has not changed 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 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 8: PENSION PLAN – *continued*

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

| Asset Class | Benchmark | Target Allocation ¹ | Geometric Real Rate of Return (Expected minus Inflation) ² |
|------------------------------------|--|--------------------------------|---|
| US Equities | Dow Jones U.S. Total Stock Market Index | 14.50% | 5.45% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index ³ | 14.00% | 8.45% |
| Global Equities | MSCI World (net) Index | 1.50% | 5.75% |
| International Equities – Developed | 50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index | 10.00% | 5.45% |
| International Equities – Emerging | 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index | 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 1.7%, per Cliffwater's 2016 capital market assumptions.

³ Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁴ Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 8: PENSION PLAN – *continued*

- Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the County reported a net pension liability of \$2,301,865 measured at December 31, 2015. For the year ended September 30, 2016 the County recognized pension expense of \$452,731.

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

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

Changes in the net pension liability for the measurement year ended December 31, 2015 are as follows:

| Changes in Net Pension Liability / (Asset) | Increase (Decrease) | | Net Pension Liability / (Asset) (a) - (b) |
|--|-----------------------------|----------------------------|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | |
| Balances at December 31, 2014 | \$ 17,214,778 | \$ 15,815,862 | \$ 1,398,916 |
| Changes for the year: | | | |
| Service cost | 501,502 | - | 501,502 |
| Interest on total pension liability ⁵ | 1,379,774 | - | 1,379,774 |
| Effect of plan changes ⁷ | (75,868) | - | (75,868) |
| Effect of economic/demographic gains or losses | (147,149) | - | (147,149) |
| Effect of assumptions changes or inputs | 221,937 | - | 221,937 |
| Refund of contributions | (77,475) | (77,475) | - |
| Benefit payments | (938,319) | (938,319) | - |
| Administrative expenses | - | (11,365) | 11,365 |
| Member contributions | - | 308,106 | (308,106) |
| Net investment income | - | 119,480 | (119,480) |
| Employer contributions | - | 481,147 | (481,147) |
| Other ⁶ | - | 79,880 | (79,880) |
| Balances as of December 31, 2015 | \$ 18,079,181 | \$ 15,777,316 | \$ 2,301,865 |

⁵ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁶ Relates to the allocation of system-wide items.

⁷ Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 8: PENSION 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%) |
|---------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Total pension liability | \$ 20,117,405 | \$ 18,079,181 | \$ 16,355,215 |
| Fiduciary net position | <u>15,777,316</u> | <u>15,777,316</u> | <u>15,777,316</u> |
| Net pension liability / (asset) | <u>\$ 4,340,089</u> | <u>\$ 2,301,865</u> | <u>\$ 577,899</u> |

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

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|-------------------------------------|--------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual economic experience | \$ 110,362 | \$ 43,701 |
| Changes in actuarial assumptions | - | 166,453 |
| Net difference between projected and actual investment earnings | - | 1,042,044 |
| Contributions paid to TCDRS subsequent to the measurement date | <u>-</u> | <u>372,758</u> |
| Total | <u>\$ 110,362</u> | <u>\$ 1,624,956</u> |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$372,758 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended September 30,</u> | Pension Expense |
|---------------------------------|---------------------|
| 2017 | <u>\$ 310,116</u> |
| 2018 | 310,116 |
| 2019 | 288,265 |
| 2020 | <u>233,339</u> |
| | <u>\$ 1,141,836</u> |

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES

- Contingencies

The County participates in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds or any money received may be required and collectability of any related receivable at September 30, 2016 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

- Litigation

The County Attorney has indicated that there are various lawsuits filed and pending against the County but in the County's opinion none will result in a material effect on the County's financial position.

NOTE 10: SUBSEQUENT EVENTS

In October 2017, the County issued refunding bonds of \$3,058,000 General Obligation Refunding Bonds, Series 2016 for the purpose of refunding \$3,000,000 of Tax Notes, Series 2016, in order to lower the overall debt service requirements of the County and to pay costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements.

NOLAN COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
September 30, 2016

Exhibit B-1

| | Budget Amounts | | Actual | Variance with Final Budget Positive or (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 7,580,717 | \$ 7,580,717 | \$ 7,545,240 | \$ (35,477) |
| Other taxes | 82,500 | 82,500 | 97,455 | 14,955 |
| Licenses and permits | 51,500 | 51,500 | 56,515 | 5,015 |
| Intergovernmental revenue and grants | 211,783 | 211,783 | 268,580 | 56,797 |
| Fines & fees | 585,500 | 585,700 | 787,849 | 202,149 |
| Investment earnings | 40,000 | 40,000 | 62,719 | 22,719 |
| Rents and royalties | 14,420 | 14,420 | 15,186 | 766 |
| Other revenue | 37,500 | 37,500 | 139,306 | 101,806 |
| Total revenues | 8,603,920 | 8,604,120 | 8,972,850 | 368,730 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,954,368 | 1,885,046 | 1,615,213 | 269,833 |
| Judicial | 1,167,547 | 1,167,747 | 1,109,275 | 58,472 |
| Legal | 421,160 | 426,810 | 429,032 | (2,222) |
| Financial administration | 565,922 | 571,672 | 548,436 | 23,236 |
| Public facilities | 586,251 | 586,251 | 513,571 | 72,680 |
| Public safety | 2,649,149 | 2,649,149 | 2,577,986 | 71,163 |
| Health and welfare | 592,687 | 650,609 | 626,617 | 23,992 |
| Extension service | 135,340 | 135,340 | 130,959 | 4,381 |
| Capital outlay | 84,000 | 84,000 | 60,848 | 23,152 |
| Intergovernmental | | | | |
| Intergovernmental | 200,011 | 200,011 | 191,121 | 8,890 |
| Total expenditures | 8,356,435 | 8,356,635 | 7,803,058 | 553,577 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 247,485 | 247,485 | 1,169,792 | 922,307 |
| OTHER FINANCING USES | | | | |
| Transfers out | (110,000) | (110,000) | (145,454) | (35,454) |
| Total other financing uses | (110,000) | (110,000) | (145,454) | (35,454) |
| NET CHANGE IN FUND BALANCE | 137,485 | 137,485 | 1,024,338 | 886,853 |
| FUND BALANCE, BEGINNING | 8,823,411 | 8,823,411 | 8,823,411 | - |
| FUND BALANCE, ENDING | \$ 8,960,896 | \$ 8,960,896 | \$ 9,847,749 | \$ 886,853 |

NOLAN COUNTY, TEXAS
Farm to Market Fund
Budgetary Comparison Schedule
September 30, 2016

Exhibit B-2

| | Budget Amounts | | Actual | Variance with Final Budget Positive or (Negative) |
|---|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,816,435 | \$ 1,816,435 | \$ 1,813,322 | \$ (3,113) |
| Licenses and permits | 350,000 | 350,000 | 350,550 | 550 |
| Intergovernmental revenue and grants | 50,000 | 801,153 | 67,996 | (733,157) |
| Fines & fees | 130,000 | 130,000 | 155,006 | 25,006 |
| Investment earnings | 3,000 | 3,000 | 6,712 | 3,712 |
| Other revenue | 1,000 | 1,000 | 15,372 | 14,372 |
| Total revenues | <u>2,350,435</u> | <u>3,101,588</u> | <u>2,408,958</u> | <u>(692,630)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Farm to market | 1,999,932 | 2,157,858 | 1,693,377 | 464,481 |
| Debt service | | | | |
| Debt principal | 85,000 | 85,000 | 128,899 | (43,899) |
| Interest expense | 9,000 | 9,000 | 8,322 | 678 |
| Capital outlay | <u>256,000</u> | <u>849,227</u> | <u>402,546</u> | <u>446,681</u> |
| Total expenditures | <u>2,349,932</u> | <u>3,101,085</u> | <u>2,233,144</u> | <u>867,941</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>503</u> | <u>503</u> | <u>175,814</u> | <u>175,311</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds of long-term debt | - | - | 209,000 | 209,000 |
| Proceeds from the sale of assets | <u>-</u> | <u>-</u> | <u>20,000</u> | <u>20,000</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>229,000</u> | <u>229,000</u> |
| NET CHANGE IN FUND BALANCE | 503 | 503 | 404,814 | 404,311 |
| FUND BALANCE, BEGINNING | <u>690,576</u> | <u>690,576</u> | <u>690,576</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 691,079</u> | <u>\$ 691,079</u> | <u>\$ 1,095,390</u> | <u>\$ 404,311</u> |

NOLAN COUNTY, TEXAS
Notes to Required Supplementary Information - Budgets
For the Year Ended September 30, 2016

BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in these basic 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.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2016 budget were approved by the Commissioners' Court as provided by law. Total expenditures did not exceed the budget.

NOLAN COUNTY, TEXAS
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 | \$ 501,502 | \$ 481,148 |
| Interest on total pension liability | 1,379,775 | 1,299,143 |
| Effect of plan changes | (75,868) | - |
| Effect of assumption changes or inputs | 221,937 | - |
| Effect of economic/demographic (gains) or losses | (147,149) | 87,402 |
| Benefit payments/refunds of contributions | <u>(1,015,794)</u> | <u>(894,249)</u> |
| Net change in total pension liability | 864,403 | 973,444 |
| | | |
| Total pension liability, beginning | <u>17,214,778</u> | <u>16,241,334</u> |
| Total pension liability, ending (a) | <u>\$ 18,079,181</u> | <u>\$ 17,214,778</u> |
| | | |
| Fiduciary Net Position | | |
| Employer contributions | \$ 481,147 | \$ 440,451 |
| Member contributions | 308,106 | 284,161 |
| Investment income net of investment expenses | 119,480 | 1,034,882 |
| Benefit payments/refunds of contributions | (1,015,794) | (894,249) |
| Administrative expenses | (11,365) | (11,850) |
| Other | <u>79,880</u> | <u>13,866</u> |
| Net change in fiduciary net position | (38,546) | 867,261 |
| | | |
| Fiduciary net position, beginning | <u>15,815,862</u> | <u>14,948,601</u> |
| Fiduciary net position, ending (b) | <u>\$ 15,777,316</u> | <u>\$ 15,815,862</u> |
| | | |
| Net pension liability / (asset), ending = (a) - (b) | <u>\$ 2,301,865</u> | <u>\$ 1,398,916</u> |
| | | |
| Fiduciary net position as a percentage of total pension liability | 87.27% | 91.87% |
| | | |
| Pensionable covered payroll | \$ 4,401,516 | \$ 4,059,437 |
| | | |
| Net pension liability as a percentage of covered payroll | 52.30% | 34.46% |

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

| Year Ending December 31, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a Percentage of Covered Payroll |
|-----------------------------|---|------------------------------------|--|-----------------------------------|--|
| 2006 | \$ 243,415 | \$ 243,415 | - | \$ 2,804,316 | 8.7% |
| 2007 | 270,036 | 270,036 | - | 3,040,949 | 8.9% |
| 2008 | 263,499 | 263,499 | - | 3,078,259 | 8.6% |
| 2009 | 298,627 | 298,627 | - | 3,484,560 | 8.6% |
| 2010 | 352,185 | 352,185 | - | 3,687,800 | 9.6% |
| 2011 | 357,874 | 357,874 | - | 3,827,515 | 9.4% |
| 2012 | 367,182 | 367,182 | - | 3,765,970 | 9.7% |
| 2013 | 396,873 | 396,873 | - | 3,883,264 | 10.2% |
| 2014 | 440,451 | 440,451 | - | 4,059,437 | 10.9% |
| 2015 | 481,086 | 481,147 | (61) | 4,401,516 | 10.9% |

NOLAN COUNTY, TEXAS
Notes to Required Supplementary Information - Pensions
For the Year Ended September 30, 2016

NET PENSION LIABILITY – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Assumptions

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

| | |
|--------------------------------------|---|
| 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 contributions are reported. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 14.5 years (based on contribution rate calculated in 12/31/2015 valuation) |
| Asset valuation method | 5 year smoothed market |
| Inflation | 3.0% |
| Salary increases | Varies by age and service. 4.9% average over career including inflation |
| Investment rate of return | 8.10%, net of investment expense, including inflation |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is |
| Mortality | In the actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014. |

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

The supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

| | Jury Fund | Law Library Fund | Hot Check Fund | D.A.R.E Fund |
|--|-----------------|------------------------|----------------------|-----------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,763 | \$ 13,829 | \$ 9,894 | \$ 79 |
| Taxes receivable (net) | - | - | - | - |
| Restricted assets | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Total assets | \$ 4,763 | \$ 13,829 | \$ 9,894 | \$ 79 |
| LIABILITIES | | | | |
| Accounts payable | - | 501 | - | - |
| Total liabilities | \$ - | \$ 501 | \$ - | \$ - |
| FUND BALANCES | | | | |
| Restricted fund balance | | | | |
| Enabling legislation | \$ - | \$ - | \$ - | \$ - |
| Retirement of long-term debt | - | - | - | - |
| Assigned fund balance | | | | |
| Other purposes | 4,763 | 13,328 | 9,894 | 79 |
| Total fund balances | 4,763 | 13,328 | 9,894 | 79 |
| Total liabilities and fund balances | \$ 4,763 | \$ 13,829 | \$ 9,894 | \$ 79 |

| <u>County Records Management</u> | <u>County Clerk Records Management</u> | <u>District Clerk Records Management</u> | <u>Courthouse Security Fund</u> | <u>County Technology Fund</u> | <u>District Attorney Forfeiture Fund</u> |
|--|--|--|---|---------------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 2,728 | 137,282 | 19,820 | 130,086 | 83,867 | 11,401 |
| - | - | - | - | - | - |
| <u>\$ 2,728</u> | <u>\$ 137,282</u> | <u>\$ 19,820</u> | <u>\$ 130,086</u> | <u>\$ 83,867</u> | <u>\$ 11,401</u> |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 2,728 | \$ 137,282 | \$ 19,820 | \$ 130,086 | \$ 83,867 | \$ 11,401 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>2,728</u> | <u>137,282</u> | <u>19,820</u> | <u>130,086</u> | <u>83,867</u> | <u>11,401</u> |
| <u>\$ 2,728</u> | <u>\$ 137,282</u> | <u>\$ 19,820</u> | <u>\$ 130,086</u> | <u>\$ 83,867</u> | <u>\$ 11,401</u> |

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

| | District Attorney Federal Forfeiture Fund | Sheriff Forfeiture Fund | Sheriff Federal Forfeiture Fund | Total Nonmajor Special Revenue Funds |
|-------------------------------------|--|-------------------------------|---------------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 28,565 |
| Taxes receivable (net) | - | - | - | - |
| Restricted assets | | | | - |
| Cash and cash equivalents | 32,650 | 13,696 | 20 | 431,550 |
| Investments | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 32,650</u> | <u>\$ 13,696</u> | <u>\$ 20</u> | <u>\$ 460,115</u> |
| LIABILITIES | | | | |
| Accounts payable | - | - | - | 501 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>501</u> |
| Total liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 501</u> |
| FUND BALANCES | | | | |
| Restricted fund balance | | | | |
| Enabling legislation | \$ 32,650 | \$ 13,696 | \$ 20 | \$ 431,550 |
| Retirement of long-term debt | - | - | - | - |
| Assigned fund balance | | | | |
| Other purposes | - | - | - | 28,064 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,064</u> |
| Total fund balances | <u>32,650</u> | <u>13,696</u> | <u>20</u> | <u>459,614</u> |
| Total liabilities and fund balances | <u>\$ 32,650</u> | <u>\$ 13,696</u> | <u>\$ 20</u> | <u>\$ 460,115</u> |

| Coliseum Debt Service Fund | Total Nonmajor Governmental Funds |
|----------------------------------|--|
| \$ - | \$ 28,565 |
| 40,980 | 40,980 |
| 596,919 | 1,028,469 |
| <u>1,126</u> | <u>1,126</u> |
| <u>\$ 639,025</u> | <u>\$ 1,099,140</u> |
| <u>-</u> | <u>501</u> |
| <u>\$ -</u> | <u>\$ 501</u> |
| \$ - | \$ 431,550 |
| 639,025 | 639,025 |
| <u>-</u> | <u>28,064</u> |
| <u>639,025</u> | <u>1,098,639</u> |
| <u>\$ 639,025</u> | <u>\$ 1,099,140</u> |

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
September 30, 2016

| | Jury Fund | Law Library Fund | Hot Check Fund | D.A.R.E Fund |
|--|-----------------|------------------------|----------------------|-----------------|
| REVENUES | | | | |
| Hotel/motel taxes | \$ - | \$ - | \$ - | \$ - |
| Fines & fees | 599 | 5,940 | 15,809 | - |
| Investment earnings | 42 | - | - | - |
| Other revenue | 7,215 | - | - | - |
| Total revenues | 7,856 | 5,940 | 15,809 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Judicial | 7,921 | 7,666 | - | - |
| Legal | - | - | 16,931 | - |
| Public safety | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt Service: | | | | |
| Debt principal | - | - | - | - |
| Interest | - | - | - | - |
| Fiscal agent's fees | - | - | - | - |
| Total expenditures | 7,921 | 7,666 | 16,931 | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (65) | (1,726) | (1,122) | - |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from the sale of assets | - | - | - | - |
| Total other financing sources | - | - | - | - |
| NET CHANGE IN FUND BALANCES | (65) | (1,726) | (1,122) | - |
| FUND BALANCES, BEGINNING | 4,828 | 15,054 | 11,016 | 79 |
| FUND BALANCES, ENDING | \$ 4,763 | \$ 13,328 | \$ 9,894 | \$ 79 |

| County Records Management | County Clerk Records Management | District Clerk Records Management | Courthouse Security Fund | County Technology Fund | District Attorney Forfeiture Fund |
|---------------------------------|---------------------------------------|---|--------------------------------|------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 6,999 | 53,119 | 6,197 | 18,073 | 13,683 | 11,629 |
| - | 616 | - | - | - | 89 |
| - | - | - | 7 | - | - |
| <u>6,999</u> | <u>53,735</u> | <u>6,197</u> | <u>18,080</u> | <u>13,683</u> | <u>11,718</u> |
| 17,557 | 4,801 | 757 | - | - | - |
| - | - | - | 13,006 | - | - |
| - | - | - | - | - | 16,116 |
| - | - | - | - | 12,050 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>17,557</u> | <u>4,801</u> | <u>757</u> | <u>13,006</u> | <u>12,050</u> | <u>16,116</u> |
| <u>(10,558)</u> | <u>48,934</u> | <u>5,440</u> | <u>5,074</u> | <u>1,633</u> | <u>(4,398)</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(10,558)</u> | <u>48,934</u> | <u>5,440</u> | <u>5,074</u> | <u>1,633</u> | <u>(4,398)</u> |
| <u>13,286</u> | <u>88,348</u> | <u>14,380</u> | <u>125,012</u> | <u>82,234</u> | <u>15,799</u> |
| <u>\$ 2,728</u> | <u>\$ 137,282</u> | <u>\$ 19,820</u> | <u>\$ 130,086</u> | <u>\$ 83,867</u> | <u>\$ 11,401</u> |

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
September 30, 2016

| | District Attorney Federal Forfeiture Fund | Sheriff Forfeiture Fund | Sheriff Federal Forfeiture Fund | Total Nonmajor Special Revenue Funds |
|--|--|-------------------------------|---------------------------------------|---|
| REVENUES | | | | |
| Hotel/motel taxes | \$ - | \$ - | \$ - | \$ - |
| Fines & fees | - | - | - | 132,048 |
| Investment earnings | 180 | 266 | - | 1,193 |
| Other revenue | - | 50,000 | - | 57,222 |
| | <u>180</u> | <u>50,266</u> | <u>-</u> | <u>190,463</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | 23,115 |
| Judicial | - | - | - | 28,593 |
| Legal | - | - | - | 33,047 |
| Public safety | - | 38,984 | - | 51,034 |
| Capital outlay | - | 26,918 | - | 26,918 |
| Debt Service: | | | | |
| Debt principal | - | - | - | - |
| Interest | - | - | - | - |
| Fiscal agent's fees | - | - | - | - |
| | <u>-</u> | <u>65,902</u> | <u>-</u> | <u>162,707</u> |
| Total expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>180</u> | <u>(15,636)</u> | <u>-</u> | <u>27,756</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from the sale of assets | - | 12,000 | - | 12,000 |
| | <u>-</u> | <u>12,000</u> | <u>-</u> | <u>12,000</u> |
| Total other financing sources | | | | |
| NET CHANGE IN FUND BALANCES | 180 | (3,636) | - | 39,756 |
| FUND BALANCES, BEGINNING | <u>32,470</u> | <u>17,332</u> | <u>20</u> | <u>419,858</u> |
| FUND BALANCES, ENDING | <u>\$ 32,650</u> | <u>\$ 13,696</u> | <u>\$ 20</u> | <u>\$ 459,614</u> |

| | Coliseum Debt Service Fund | Total Nonmajor Governmental Funds |
|----|----------------------------------|--|
| \$ | 242,709 | \$ 242,709 |
| | - | 132,048 |
| | 2,790 | 3,983 |
| | - | 57,222 |
| | <u>245,499</u> | <u>435,962</u> |
| | - | 23,115 |
| | - | 28,593 |
| | - | 33,047 |
| | - | 51,034 |
| | - | 26,918 |
| | 315,000 | 315,000 |
| | 4,463 | 4,463 |
| | - | - |
| | <u>319,463</u> | <u>482,170</u> |
| | <u>(73,964)</u> | <u>(46,208)</u> |
| | - | 12,000 |
| | - | 12,000 |
| | (73,964) | (34,208) |
| | <u>712,989</u> | <u>1,132,847</u> |
| \$ | <u><u>639,025</u></u> | <u><u>\$ 1,098,639</u></u> |

NOLAN COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 September 30, 2106

| | <u>Unclaimed Money</u> | <u>Trust & Agency</u> | <u>Restitution Fund</u> | <u>Extraditions Fund</u> |
|---------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 97 | \$ 113,627 | \$ 226,517 | \$ 19,630 |
| TOTAL ASSETS | <u>\$ 97</u> | <u>\$ 113,627</u> | <u>\$ 226,517</u> | <u>\$ 19,630</u> |
| LIABILITIES | | | | |
| Due to others | \$ 97 | \$ 113,627 | \$ 226,517 | \$ 19,630 |
| TOTAL LIABILITIES | <u>\$ 97</u> | <u>\$ 113,627</u> | <u>\$ 226,517</u> | <u>\$ 19,630</u> |

| <u>District Attorney Funds</u> | <u>Sheriff Funds</u> | <u>Tax Assessor Collector Funds</u> | <u>County Court Funds</u> | <u>District Clerk Funds</u> | <u>Total Agency Funds</u> |
|--|--------------------------|---|-----------------------------------|-------------------------------------|-----------------------------------|
| \$ <u>117,839</u> | \$ <u>14,773</u> | \$ <u>165,665</u> | \$ <u>73,664</u> | \$ <u>81,590</u> | \$ <u>813,402</u> |
| \$ <u>117,839</u> | \$ <u>14,773</u> | \$ <u>165,665</u> | \$ <u>73,664</u> | \$ <u>81,590</u> | \$ <u>813,402</u> |
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OTHER INFORMATION REQUIRED BY GAO

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*

To the Honorable Judge and
Members of Commissioners Court
Nolan 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 Nolan County, Texas (County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 13, 2017